

GUARDIAN BALANCED FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2007

March 24, 2008

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Auditors' Report

**To the Participants of
Guardian Balanced Fund (the Fund)**

We have audited the statement of net assets of the Fund as at December 31, 2007, the statement of operations and changes in net assets for the year then ended, and the statement of investment portfolio as at December 31, 2007. These financial statements are the responsibility of the Fund's Investment Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007, and the results of its operations and changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario

Guardian Balanced Fund

Statements of Net Assets

<i>As at December 31</i>	2007		2006	
Assets				
Cash	\$	-	\$	3,570
Investments, at fair value*		11,270,288		10,149,594
Subscriptions receivable		-		999
		<u>11,270,288</u>		<u>10,154,163</u>
Liabilities				
Due to broker		-		4,569
Accrued expenses		137		3,180
		<u>137</u>		<u>7,749</u>
Net assets representing participants' equity (Note 4)	\$	11,270,151	\$	10,146,414
Net asset value per unit (GAAP NAV - Notes 2 and 3)	\$	15.17	\$	14.80
*Investments, at average cost	\$	11,200,019	\$	9,386,208

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Investment Manager,
Guardian Capital LP:

Per: _____

Per: _____

Guardian Balanced Fund

Statements of Operations

<i>For the years ended December 31</i>	2007	2006
Income:		
Dividends	\$ 216,831	\$ 83,958
Interest	93	167,720
Foreign withholding taxes	-	(3,120)
	<u>216,924</u>	<u>248,558</u>
Expenses (Note 5):		
Administration costs	984	-
Interest charges	36	-
Audit fees	1,635	3,180
	<u>2,655</u>	<u>3,180</u>
Net investment income	214,269	245,378
Gain on sale of investments	1,018,054	675,116
Change in unrealized appreciation (depreciation) in value of investments	(693,117)	299,288
Increase in net assets from operations	\$ 539,206	\$ 1,219,782
Increase in net assets from operations per unit	\$ 0.95	\$ 1.88

The accompanying notes are an integral part of these financial statements.

Guardian Balanced Fund

Statements of Changes in Net Assets

<i>For the years ended December 31</i>	2007	2006
Net assets, beginning of year	\$ 10,146,414	\$ 7,821,698
Adjustment to net assets to reflect the initial adoption of new accounting standards (Note 2)	-	-
Increase in net assets from operations	539,206	1,219,782
Distributions to participants from:		
Net investment income	(214,326)	(245,378)
Capital transactions:		
Proceeds from sale of units	7,375,373	1,412,221
Reinvested distributions	214,327	245,378
Redemption of units	(6,790,843)	(307,287)
	798,857	1,350,312
Net assets, end of year	\$ 11,270,151	\$ 10,146,414
Change in Units		
Units issued and outstanding, beginning of year	685,356	588,349
Number of units issued	488,811	102,498
Number of units reinvested	14,128	16,568
	1,188,295	707,415
Number of units redeemed	(445,266)	(22,059)
Units issued and outstanding, end of year	743,029	685,356

The accompanying notes are an integral part of these financial statements.

Guardian Balanced Fund
Statement of Investment Portfolio
As at December 31, 2007

Number of Shares/Units	Security	Average Cost	Market Value
Pooled Funds - 100.0%			
395,744	Guardian Canadian Bond Fund	\$ 4,310,107	\$ 4,321,523
26,475	Guardian Canadian Equity Fund	3,675,995	3,768,148
298,370	Vega Global Equity Fund	3,213,917	3,180,617
		<u>11,200,019</u>	<u>11,270,288</u>
	Total Investments - 100.0%	11,200,019	11,270,288
	Other net liabilities - 0.0%		<u>(137)</u>
	Total net assets - 100.0%		<u>\$ 11,270,151</u>

The accompanying notes are an integral part of the financial statements.

GUARDIAN BALANCED FUND

NOTES TO FINANCIAL STATEMENTS

1. Significant accounting policies:

Vector Balanced Fund was renamed Guardian Balanced Fund (the "Fund") on October 26, 2007. These financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), include estimates and assumptions by the Investment Manager that may affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates. The following is a summary of significant accounting policies followed by the Fund.

a) Valuation of investments:

Investments in other pooled funds are valued at the closing Transactional NAV per unit reported by such pooled funds.

b) Investment transactions and income recognition:

Investment transactions are accounted for on the trade date. Income and capital gains from pooled fund investments are recognized when distributed to the Fund. Realized gains (losses) from investment transactions and unrealized appreciation (depreciation) of investments are determined on an average cost basis.

c) Increase in net assets from operations per unit:

Increase in net assets from operations per unit is calculated as the increase in net assets from operations divided by the average number of units outstanding during the year.

2. Adoption of new accounting standards:

On April 1, 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, "Financial Instruments – Recognition and Measurement" of the CICA Handbook – Accounting, which establishes standards for the fair valuation of investments, as well as the accounting treatment of transaction costs. Section 3855 applies to fiscal years beginning on or after October 1, 2006, thus being effective for the Fund as of January 1, 2007. Section 3855 requires that securities be valued at fair value which, in an active market, will commonly be measured based on the last bid price of a security. Previously, fair value was most commonly based on the closing sale price of a security. The impact of the adoption of this new policy, as of January 1, 2007, has been disclosed in the Statement of Changes in Net Assets for the year ended December 31, 2007.

Section 3855 also requires that transaction costs be expensed in the period incurred, and they are reported as "Transaction costs" in the Statements of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, including fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Prior to the adoption of Section 3855, Transaction costs were capitalized and included in the cost of purchases or deducted from the proceeds from sale of investments. This change has no impact on the net asset value of the Fund.

For financial reporting purposes, the provisions of Section 3855 have been applied retrospectively, without restatement of prior periods.

3. Future Changes in Accounting Standards:

The new CICA Handbook Sections 3862 and 3863 replace Handbook Section 3861 Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Fund manages those risks. The new standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Fund. This standard will impact the Fund's disclosures provided but will not affect the Fund's net assets.

4. Reconciliation of net asset value:

As reflected in Note 2, for investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining Transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques, rather than the use of valuation techniques of general practice in the investment funds industry. These changes account for the difference between Transactional NAV and GAAP NAV.

The reconciliation between Transactional NAV and GAAP NAV for the Fund is as follows:

	Net Asset Value			Net Asset Value Per Unit	
	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	GAAP NAV
As at December 31, 2007	\$ 11,270,151	\$ -	\$ 11,270,151	\$ 15.17	\$ 15.17

5. Participants' equity:

Participants' equity includes the amounts representing the Fund's units, any undistributed net income and realized gain (loss) on sale of investments, and unrealized appreciation (depreciation) of investments. An unlimited number of the Fund's units may be issued, which are redeemable at the participants' option in accordance with the provisions of the Trust Agreement. Unrealized appreciation of investments as at December 31, 2007 was \$70,269 (December 31, 2006 - \$763,386).

6. Operating expenses:

The Fund is responsible for the payment of its custodian fees and expenses, and other reasonable out-of-pocket expenses incurred in the administration of the Fund. Administration costs, including participant transfer costs, are incurred by the Investment Manager and allocated to this and other funds on an equitable basis. No allocation has been made to the Fund for the year ended December 31, 2007.

7. Income taxes:

The Fund qualifies as a unit trust under the provisions of the Income Tax Act (Canada) and, as such, is not subject to income taxes on its net taxable capital gains and its net income for the year if it allocates such gains and income (less any applicable loss carry forwards) to participants. The taxable income of the Fund is allocated annually to participants so as to eliminate any income taxes otherwise payable by the Fund. Capital losses in the amount of \$270,881 are available to be carried forward indefinitely and applied against future capital gains.

8. Concentration of participants:

Certain participants of the Fund hold a significant percentage of the outstanding units. The investment activities of these participants could have a material impact on the Fund.

9. Exemption for filing of financial statements:

In accordance with applicable securities regulations, the Fund is relying upon certain available exemptions, which provide that the Fund is not required to file these financial statements with securities regulatory authorities.