GUARDIAN BALANCED FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2008

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the Participants of
Guardian Balanced Fund (the Fund)

We have audited the statements of net assets and investment portfolio of the Fund as at December 31, 2008 and the statements of operations and changes in net assets for the year then ended. 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, 2008 and the results of its operations and the 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

Guardian Balanced Fund

Statements of Net Assets

As at December 31		**2008**		**2007**
Assets				
Investments, at fair value*		11,951,049		11,270,288
Liabilities				
Accrued expenses		984		137
Net assets representing participants' equity (Note 4)	$	11,950,065	$	11,270,151
Net assets per unit (Note 3)	$	12.41	$	15.17
*Investments, at average cost	$	14,348,322	$	11,200,019

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

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

Per:

Guardian Balanced Fund

Statements of Operations

For the years ended December 31		2008		2007
Income:				
Dividends	$	489,855	$	216,831
Interest		77		93
		489,932		216,924
Expenses (Note 5):				
Administration costs		51,651		984
Interest charges		8		36
Audit fees		-		1,635
		51,659		2,655
Fees and expenses waived/absorbed by Manager		(45,421)		-
Net Expenses		6,238		2,655
Net investment income (loss)		483,694		214,269
Gain (loss) on sale of investments		(6,715)		1,018,054
Change in unrealized appreciation (depreciation) in value of investments		(2,467,621)		(693,117)
Increase (decrease) in net assets from operations	$	(1,990,642)	$	539,206
Increase (decrease) in net assets from operations per unit	$	(2.32)	$	0.95

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

Guardian Balanced Fund

Statements of Changes in Net Assets

For the years ended December 31	2008	2007
Net assets, beginning of year	$ 11,270,151	$ 10,146,414
Adjustment to net assets to reflect the initial adoption of new accounting standards (Note 3)	-	-
Increase (decrease) in net assets from operations	(1,990,642)	539,206
Distributions to participants from:		
Net investment income	(484,542)	(214,326)
Capital transactions:		
Proceeds from sale of units	3,501,071	7,375,373
Reinvested distributions	484,542	214,327
Redemption of units	(830,515)	(6,790,843)
	3,155,098	798,857
Net assets, end of year	$ 11,950,065	$ 11,270,151

Change in Units		
Units issued and outstanding, beginning of year	743,029	685,356
Number of units issued	238,730	488,811
Number of units reinvested	39,044	14,128
	1,020,803	1,188,295
Number of units redeemed	(57,906)	(445,266)
Units issued and outstanding, end of year	962,897	743,029

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

Guardian Balanced Fund

Statement of Investment Portfolio
As at December 31, 2008

Number of Shares/Units	Security		Average Cost		Fair Value
	Pooled Funds - 100.0%				
442,516	Guardian Canadian Bond Fund	$	5,129,473	$	5,120,954
37,761	Guardian Canadian Equity Fund		5,078,761		3,783,223
383,193	Guardian Global Equity Fund		4,140,088		3,046,872
			14,348,322		11,951,049
	Total Investments - 100.0%		**14,348,322**		**11,951,049**
	Other net liabilities - 0.0%				**(984)**
	Total net assets - 100.0%			**$**	**11,950,065**

The accompanying notes are an integral part of these 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. Guardian Capital LP (the "Investment Manager") in the investment manager of the Fund. These financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), include estimates and assumptions made by the Investment Manager that may affect the reported amounts of assets, liabilities, income and expenses during the reporting year. 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 are deemed to be held for trading. Investments in other pooled funds are valued at the closing net asset value 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) in value of investments are determined on an average cost basis.

c) Other assets and liabilities

For the purposes of categorization in accordance with Section 3862, accrued interest and dividends receivable on investments, amounts due from brokers and other net assets are designated as loans and receivables, and recorded at cost or amortized cost. Similarly, amounts due to brokers, accounts payable for securities redeemed, accrued expenses and other liabilities are designated as other financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities.

d) Increase (decrease) in net assets from operations per unit:

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

2. Adoption of new accounting standards:

Effective January 1, 2008, the Fund adopted new CICA Handbook sections 3862, "Financial Instruments – Disclosures" ("Section 3862") and 3863, "Financial Instruments – Presentation" ("Section 3863"), replacing the previous section 3861. Section 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments, and how the Fund manages those risks (which disclosure is contained in note 8, "Financial risk management"). Section 3863 carries forward unchanged the presentation requirements of section 3861 with respect to financial instruments.

Effective January 1, 2008, the Fund adopted new CICA Handbook section 1535, "Capital Disclosures", which requires the Fund to disclose information that enables users of its financial statements to evaluate its objectives, policies and processes for managing capital, including disclosures of any internally imposed capital requirements and the consequences of non-compliance. This standard impacts the disclosures in these financial statements, contained in Note 4, "Participants' equity", but does not affect the Fund's net asset value.

2. Adoption of new accounting standards (continued):

Effective January 1, 2007, the Fund adopted Section 3855, which established standards for the fair valuation of investments, as well as the accounting treatment of transaction costs. The change in the value of the Fund's investments, as a result of the adoption of Section 3855, is disclosed in the Statement of Changes in Net Assets for the year ended December 31, 2007. For financial reporting purposes, the provisions of Section 3855 have been applied retrospectively, without restatement of prior periods.

3. Comparison of net asset value:

The value of the Fund's net assets per unit for financial statement presentation purposes ("Net Assets Per Unit") is calculated by dividing the net assets of the Fund, calculated in accordance with GAAP, by the total number of units of the Fund outstanding. For the net asset value per unit for the purpose of the issuance and redemption of Fund units ("Net Asset Value Per Unit"), the Fund's net assets are valued using the closing sale prices for investments, rather than bid prices, which are used for Net Assets Per unit. This difference in the valuation of the Fund's investments accounts for the difference between Net Assets Per Unit and Net Asset Value Per Unit.

A comparison of the Net Asset Value Per Unit and the Net Assets Per Unit is as follows:

	Net Asset Value Per Unit	Net Assets Per Unit
As at December 31, 2008	$12.41	$12.41
As at December 31, 2007	$15.17	$15.17

4. 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) in value of investments. An unlimited number of the Fund's units may be issued, which are redeemable at Net Asset Value Per Unit at the participants' option in accordance with the provisions of the Trust Agreement. There are no restrictions or specific capital requirements on subscriptions and redemptions of units. The changes in the number of issued units are disclosed in the Statements of Changes in Net Assets. In accordance with the Fund's investment objectives and the risk management policies stated in Note 8, the Fund invests the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions.

5. Operating expenses:

Operating expenses include transfer agency, fund accounting, custody costs, filing fees, securityholder reporting, audit and legal fees, GST and interest and related bank charges, and other related expenses. Except for interest and bank charges, which are paid or payable directly by the Fund, the Manager incurs such expenses on behalf of the Funds and is then reimbursed by the Fund for such expenses. Expenses incurred by the Fund are allocated on a reasonable basis as determined by the Manager. During the year ended December 31, 2008, the Investment Manager has borne all of the day-to-day operating costs of the Fund, other than interest, and has allocated $6,230 (2007 - $984) in administration costs to the Fund.

6. 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. As at December 31, 2008, capital losses in the amount of $224,919 (2007 - $270,881) were available to be carried forward indefinitely and applied against future capital gains.

7. **Concentration of participants:**

Certain participants of the Fund, each holding more than 20% of the outstanding units, holds a total of 84% (2007-79%) of the outstanding units of the Fund. The investment activities of these participants could have a material impact on the Fund.

The Fund invests in other pooled funds which may, from time to time, also have concentration of participants.

8. **Financial risk management:**

The Fund's financial instruments consist of cash and investments. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and the markets in which it invests. The most significant risks include market risk, liquidity risk, interest rate risk, credit risk and currency risk. These risks and related risk management practices employed by the Fund are discussed below:

a) **Market risk**

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to market fluctuations and the risks inherent in financial markets. The Investment Manager moderates this risk through a careful selection of investments in pooled funds within specified limits, which funds are each invested in a diversified investment portfolio. The Investment Manager monitors the Fund's, and the underlying pooled funds' overall market positions on a daily basis, and positions are maintained within established ranges. At December 31, 2008, the Fund's overall market exposure, indirectly through the underlying funds, was as follows, calculated based on the proportions of the underlying pooled funds held by the Fund:

	Fair value	% of net assets
Pooled fund securities held for trading	$ 11,093,111	92.8%

At December 31, 2008, if the bid quotations for the securities held by the underlying pooled funds increased or decreased by 5%, with all other variables held constant, this would have increased or decreased the net assets of the Fund by approximately $555,000. In practice, the actual trading results could differ, and the difference could be material.

b) **Liquidity risk**

The Fund is exposed to daily cash needs related to the redemption of units, and to the discharge of financial obligations related to the daily operations of the Fund. The ability to meet these needs is managed within the underlying funds by retaining sufficient cash and cash equivalents within and by investing in securities which are considered readily reliable and high liquid.

c) **Interest rate risk**

The Fund, which holds investments in pooled funds which, in turn, hold investments in certain interest-bearing financial assets, is subject to interest rate risk. This is due to the fact that fluctuations in the prevailing level of market interest rates could impact the value of the Fund's net assets.

The table below summarizes the Fund's exposure to interest rate risk, by remaining term to maturity, calculated based on the proportions of each of the underlying pooled funds held by the Fund.

8. Financial risk management (continued):

	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
As at December 31, 2008						
Assets						
Pooled funds held for trading	$ 540,293	$ 321,065	$ 40,530	$ 1,313,783	$3,421,140	$ 5,636,811
Total interest sensitivity value	**$ 540,293**	**$ 321,065**	**$ 40,530**	**$ 1,313,783**	**$3,421,140**	**$ 5,636,811**

At December 31, 2008, if interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and with all other variables held constant, the decrease or increase in the Fund's net assets would amount to approximately $85,820. The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bonds and short-term notes held by the underlying pooled funds, and the proportion of each underlying fund held by the Fund. The actual trading results may differ, and the difference could be material.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Fund is exposed to credit risk associated with the ability of debt issuers to discharge their obligations. The Investment Manger limits the Fund's exposure to credit loss through ongoing credit evaluations of the issuers of the securities in which the underlying funds invest.

The underlying funds invest in financial assets, which have an investment grade as rated primarily by *Standard & Poor's and DBRS*. Ratings for the fixed-income securities held by the underlying funds at December 31, 2008 are as follows:

Rating category	% of portfolio by rating category
AAA	50.4%
AA	23.8%
A	24.1%
BBB	1.7%
Total	**100.0%**

All investment transactions carried out by the underlying funds are settled upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is made by the custodian coincident with the receipt of payment. On a purchase, payment is made by the custodian coincident with the receipt of the securities.

e) Currency risk

The underlying pooled funds hold certain assets and liabilities that are valued in currencies other than the Canadian dollar, which is the Fund's functional currency. It is therefore exposed to currency risk, as the value of the net assets valued in other currencies will fluctuate due to changes in exchange rates. The following table summarizes the Fund's indirect exposure to currency risks:

8. Financial risk management (continued):

As at December 31, 2008	Currency exposure (in Canadian $) USD	GBP	EUR	Total
Assets				
Cash	$ 1,337	$ -	$ 3	$ 1,340
Securities held for trading	3,496,706	264,074	220,017	3,980,797
Other net assets	(35,802)	3,360	1,576	(30,866)
Total assets	3,462,241	267,434	221,593	3,951,268
Less: hedged by forward contracts	(641,483)	(192,612)	(199,588)	(1,033,683)
Net currency exposure	**$ 4,103,724**	**$ 74,822**	**$ 22,005**	**$ 2,917,585**

At December 31, 2008, if the value of the foreign currencies increased or decreased by 5% in relation to the Canadian dollar, with all other variables held constant, this would have increased or decreased the Fund's net assets by approximately $146,000.

9. Future changes in accounting standards:

At December 31, 2008 the Manager is in the process of developing a changeover plan to meet the timetable published by the CICA for changeover to International Financial Reporting Standards (IFRS). The key elements of the plan include disclosures of the qualitative impact in the 2008 annual financial statements, the disclosures of the quantitative impact, if any, in the 2009 financial statements and the preparation of the 2011 financial statements in accordance with IFRS with comparatives. The Manager has presently determined that there will be no significant impact to net asset value per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures in the financial statements of the Fund.

10. 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.