

GUARDIAN CANADIAN SMALL/MID CAP EQUITY FUND

FINANCIAL STATEMENTS

December 31, 2007

March 24, 2008

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Auditors' Report

**To the Participants of
Guardian Canadian Small/Mid Cap Equity 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 Canadian Small/Mid Cap Equity Fund

Statements of Net Assets

<i>As at December 31</i>	2007	2006
Assets		
Cash	1,908,762	-
Investments, at fair value*	\$ 24,432,275	\$ 1,589,601
Subscription receivable	35,000	-
Dividend receivable	5,446	-
	<u>26,381,483</u>	<u>1,589,601</u>
Liabilities		
Distribution payable to participants	-	346
Accrued expenses	1,087	3,177
	<u>1,087</u>	<u>3,523</u>
Net assets representing participants' equity (Note 4)	\$ 26,380,396	\$ 1,586,078
Net asset value per unit (GAAP NAV - Notes 2 and 3)	\$ 24.78	\$ 23.29
*Investments, at average cost	\$ 25,662,080	\$ 1,271,704

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

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

Per: _____

Per: _____

Guardian Canadian Small/Mid Cap Equity Fund

Statements of Operations

<i>For the years ended December 31</i>	2007	2006
Income:		
Dividends	\$ 18,775	\$ 6,592
Interest	9,090	1,110
	27,865	7,702
Expenses (Note 5):		
Administration costs	2,798	-
Interest charges	13	-
Audit fees	1,635	3,180
	4,446	3,180
Net investment income	23,419	4,522
Gain (loss) on sale of investments	(501,268)	248,222
Loss on sale of foreign currencies	(254)	-
Transaction cost (Note 2)	(34,508)	-
Change in unrealized depreciation in value of investments	(1,546,194)	(35,744)
Increase (decrease) in net assets from operations	\$ (2,058,805)	\$ 217,000
Increase (decrease) in net assets from operations per unit	\$ (7.96)	\$ 3.41

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

Guardian Canadian Small/Mid Cap Equity Fund

Statements of Changes in Net Assets

<i>For the years ended December 31</i>	2007	2006
Net assets, beginning of year	\$ 1,586,078	\$ 1,550,179
Adjustment to net assets to reflect the initial adoption of new accounting standards (Note 2)	-	-
Increase (decrease) in net assets from operations	(2,058,805)	217,000
Distributions to participants from:		
Net investment income	(20,949)	(4,522)
Realized gain on sale of investments	(355,729)	(164,622)
	(376,678)	(169,144)
Capital transactions:		
Net assets received on fund merger (Note 1d)	34,884,321	-
Proceeds from sale of units	246,774	-
Reinvested distributions	376,678	168,797
Redemption of units	(8,277,972)	(180,754)
	27,229,801	(11,957)
Net assets, end of year	\$ 26,380,396	\$ 1,586,078
Change in Units		
Units issued and outstanding, beginning of year	68,102	68,337
Number of units issued on fund merger (Note 1d)	1,319,876	-
Number of units issued	9,564	-
Number of units reinvested	15,170	7,248
	1,412,712	75,585
Number of units redeemed	(348,129)	(7,483)
Units issued and outstanding, end of year	1,064,583	68,102

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

Guardian Canadian Small/Mid Cap Equity Fund

Statement of Investment Portfolio As at December 31, 2007

Number of Shares/Units	Security	Average Cost	Market Value
Consumer Discretionary - 6.4%			
14,000	Dorel Industries Inc., Class B	\$ 406,000	\$ 403,760
25,900	Forzani Group Ltd., Class A	469,365	432,530
20,100	Great Canadian Gaming Corp.	281,400	311,550
23,600	Mega Brands Inc.	209,960	145,848
23,300	RONA Inc.	485,244	397,265
		1,851,969	1,690,953
Energy - 18.5%			
69,200	Birchcliff Energy Ltd.	351,536	505,852
61,100	Bow Valley Energy Ltd., Class A	415,480	383,097
46,500	Bronco Energy Ltd.	568,155	510,570
76,100	Canadian Hydro Developers Inc.	494,650	482,474
24,000	Petro Rubiales Energy Corp.	39,840	34,080
255,700	Petro Rubiales Energy Corp., Restricted Shares	424,462	363,094
116,050	Petro Rubiales Energy Corp., Warrants (12Jul12)	41,778	107,439
37,500	ProEx Energy Ltd.	537,109	441,375
10,600	ShawCor Ltd., Class A, Sub-Voting Shares	415,041	373,650
43,100	TriStar Oil and Gas Ltd.	446,085	539,612
87,600	UTS Energy Corp.	534,285	471,288
22,567	Zargon Oil & Gas Ltd., Exchangeable Shares	747,748	654,443
		5,016,169	4,866,974
Financials - 6.1%			
9,900	AGF Management Ltd., Class B, Non-Voting Shares	338,738	287,991
16,900	Equitable Group Inc.	498,381	481,819
43,000	Killam Properties Inc	378,532	393,880
168,900	Quest Capital Corp.	459,408	449,274
		1,675,059	1,612,964
Health Care - 3.9%			
13,400	Aspreva Pharmaceuticals Corp.	329,640	345,452
13,900	Isotechnika Inc., Warrants (15Feb09)	-	1,284
39,500	IMRIS, Inc.	237,000	233,050
52,200	BioMS Medical Corp.	143,395	200,970
84,600	BioMS Medical Corp., Warrants (23Mar09)	-	105,489
146,700	Isotechnika Inc.	165,771	145,233
		875,806	1,031,478
Industrials - 17.3%			
12,300	SN Plus Inc.	36,900	97,416
42,360	ATS Automation Tooling Systems Inc.	297,791	218,578
102,200	Bioteq Environmental Tech Inc.	419,020	415,954
24,400	CHC Helicopter Corp., Class A, Sub-Voting Shares	582,825	614,880
52,100	Commercial Solutions Inc.	170,028	139,107
4,980	Firstservice Corp., Preferred	100,627	96,334
25,100	FirstService Corp., Sub-Voting Shares	851,387	755,761
128,800	Magellan Aerospace Corp.	280,784	164,864

4,700	Ritchie Bros. Auctioneers Inc.	318,096	386,434
30,300	Stantec Inc.	1,083,991	1,178,064
31,500	Transcontinental Inc., Class A	617,263	494,550
		<u>4,758,712</u>	<u>4,561,942</u>
	Information Technology - 15.0%		
19,100	Aastra Technologies Ltd.	634,073	649,591
90,000	AXIA NetMedia Corp.	335,700	286,200
35,800	Belzberg Technologies Inc.	197,616	193,320
105,100	COM DEV International Ltd.	478,205	378,360
108,500	Enablence Technologies Inc.	184,450	312,480
15,700	Evertz Technologies Ltd.	585,200	460,010
53,000	Exfo Electro Optical Engineering Inc.	320,650	260,230
64,200	Hemisphere GPS Inc	186,180	229,836
14,800	MacDonald Dettwiler & Associates Ltd.	598,660	617,900
109,700	Matrikon Inc.	293,996	263,280
14,800	Sierra Wireless Inc.	308,876	218,596
5,100	Sierra Wireless Inc. (US Listed)	106,438	74,747
		<u>4,230,044</u>	<u>3,944,550</u>
	Materials - 25.5%		
24,100	Canfor Corp.	221,720	209,911
64,650	Central Sun Mining Inc., Warrants (26Nov08)	2,263	647
316,500	Constellation Copper Corp.	131,348	26,903
101,600	Eastern Platinum Ltd.	285,180	290,576
105,100	Eldorado Gold Corp.	687,712	607,478
151,200	Equinox Minerals Ltd.	676,758	825,552
31,675	Equinox Minerals Ltd., Warrants (06May08)	70,002	101,360
48,800	Fortress Paper Ltd., Class A	383,080	336,720
5,700	Inmet Mining Corp.	562,541	458,166
115,000	Neo Material Technologies Inc.	609,792	575,000
47,100	Polaris Minerals Corp.	648,930	538,824
26,500	Quadra Mining Ltd.	510,744	465,075
51,300	Red Back Mining Inc.	384,750	358,074
48,600	Sherritt International Corp., Restricted Voting Shares	814,740	641,520
87,300	Shore Gold Inc.	367,881	401,580
1,032,100	Tiomin Resources Inc.	129,013	82,568
78,100	Western Goldfields Inc.	282,699	296,780
47,800	Whitemud Resources Inc.	487,560	506,680
		<u>7,256,713</u>	<u>6,723,414</u>
		25,664,472	24,432,275
	Transaction costs (Note 2)	(2,392)	-
	Total Investments - 92.6%	25,662,080	24,432,275
	Short-term notes - 7.2%	1,903,702	1,905,187
	Other net assets - 0.2%		42,934
	Total net assets - 100.0%		\$ 26,380,396

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

GUARDIAN CANADIAN SMALL/MID CAP EQUITY FUND

NOTES TO FINANCIAL STATEMENTS

1. Significant accounting policies:

Vega Enterprise Equity Fund was renamed Guardian Canadian Small/Mid Cap Equity 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:

- i) Securities listed upon a recognized public stock exchange are valued at their bid prices on the valuation date. Securities with no available bid prices are valued at the closing sale prices.
- ii) Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner established by the Investment Manager.
- b) Short-term notes, treasury bills and bonds are valued at the average bid quotations from recognized investment dealers.

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 per unit:

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

d) Fund merger:

At the close of business on October 26, 2007, the Vector Canadian Small/Mid Cap Fund (the "Terminated Fund") was merged into the Fund. The purchase method of accounting was adopted for the fund merger. Under this method, the Fund was identified as the acquiring fund and the Terminated Fund as the acquired fund. This identification was based on aspects of the Fund such as investment objectives, portfolio composition, and asset size of the funds.

In the merger, the Fund acquired all of the assets and assumed all the liabilities of the Terminated Fund at their fair market value, in return for the issuance by the Fund of units equal in value to the net assets transferred from the Terminated Fund. As a result, the participants of the Terminated Fund became participants of the Fund. After the merger, the Terminated Fund was wound up.

1. Significant accounting policies (continued):

The financial statements of the Fund include the operating results of the Terminated Fund from the date of the merger. All comparative information in these financial statements is that of the Fund only.

The merger took place on a taxable basis for the Terminated Fund and its participants. All capital and non-capital loss carry forwards of the Terminated Fund expired as a result of the merger.

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.

4. Reconciliation of net asset value (continued):

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

	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	GAAP NAV
As at December 31, 2007	\$ 26,430,147	\$ (49,751)	\$ 26,380,396	\$ 24.83	\$ 24.78

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 depreciation of investments as at December 31, 2007 was \$1,230,712 (December 31, 2006 - \$317,897 appreciation)

6. Operating expenses:

The Fund is responsible for the payment of its audit 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 was made to this 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.

Alternative minimum tax of \$91 arose in 2005 because non-capital losses and access expenses were applied against taxable gains during 2004.

8. Brokerage commissions:

Total brokerage commissions paid to dealers in connection with the portfolio transactions of the Fund for the year ended December 31, 2007 amounted to \$34,508.

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.