

## Management's Responsibility Statement

The financial statements of Brompton VIP Income Fund, formerly Brompton VIP Income Trust (the "Fund") have been prepared by Brompton VIP Management Limited (the "Manager" of the Fund) and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of the Manager is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of independent directors of the Board.

The Manager, with the approval of its Board of Directors, has appointed the external firm of PricewaterhouseCoopers LLP as the auditors of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

(Signed)

**Raymond R. Pether**  
*Chief Executive Officer*  
*Brompton VIP Management Limited*  
 February 10, 2006

(Signed)

**Craig T. Kikuchi**  
*Chief Financial Officer*  
*Brompton VIP Management Limited*

## Auditors' Report to Unitholders

### To the Unitholders of Brompton VIP Income Fund:

We have audited the statement of investments of Brompton VIP Income Fund, formerly Brompton VIP Income Trust (the "Fund"), as at December 31, 2005 and the statements of net assets as at December 31, 2005 and 2004 and the statements of operations and retained earnings, changes in net assets and cash flows for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Fund's Manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 investments of the Fund as at December 31, 2005, the net assets as at December 31, 2005 and 2004 and the results of its operations and retained earnings, changes in its net assets and its cash flows for the years ended December 31, 2005 and 2004 in accordance with Canadian generally accepted accounting principles.

(Signed)

**PricewaterhouseCoopers LLP**  
*Chartered Accountants*  
 Toronto, Ontario  
 February 10, 2006

## Statements of Net Assets

As at December 31	2005	2004
<b>Assets</b>		
Investments, at market value	\$ 206,741,703	\$ 142,219,285
Cash and short-term investments	3,904,893	2,194,453
Distributions and interest receivable	2,010,445	1,271,770
Deferred financing costs (note 7)	46,287	57,622
<b>Total assets</b>	<b>212,703,328</b>	<b>145,743,130</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	495,127	325,415
Distributions payable to unitholders (note 4)	868,236	1,497,824
Redemptions payable to unitholders	21,118,189	10,881,785
Loans payable (note 7)	32,461,192	21,125,053
<b>Total liabilities</b>	<b>54,942,744</b>	<b>33,830,077</b>
<b>Unitholders' equity</b>		
Unitholders' capital (note 3)	121,183,927	76,576,294
Retained earnings	36,576,657	35,336,759
<b>Net assets representing unitholders' equity</b>	<b>\$ 157,760,584</b>	<b>\$ 111,913,053</b>
<b>Units outstanding (note 3)</b>	<b>10,682,916</b>	<b>8,170,097</b>
<b>Net asset value per unit</b>	<b>\$ 14.77</b>	<b>\$ 13.70</b>

Approved on behalf of Brompton VIP Income Fund, by the Board of Directors of Brompton VIP Management Limited, the Manager.

(Signed)

**Peter A. Braaten**  
Director

(Signed)

**James W. Davie**  
Director

## Statements of Operations and Retained Earnings

For the years ended December 31	2005	2004
<b>Income</b>		
Distributions from income funds	\$ 8,926,848	\$ 9,328,604
Interest income	1,711,887	1,949,997
	<b>10,638,735</b>	<b>11,278,601</b>
<b>Expenses</b>		
Management fees (note 5)	1,029,327	993,878
Service fees (note 5)	451,411	442,866
Audit fees	24,057	16,396
Trustee fees	16,213	27,491
Custodial fees	28,016	14,749
Legal fees	42,302	5,032
Unitholder reporting costs	53,030	25,337
Other administrative expenses	71,141	97,111
Interest and bank charges (note 7)	806,416	848,644
	<b>2,521,913</b>	<b>2,471,504</b>
<b>Net investment income</b>	<b>8,116,822</b>	<b>8,807,097</b>
<b>Net realized gain on investments (note 6)</b>	<b>5,739,798</b>	<b>2,107,138</b>
<b>Net realized gain (loss) on loans payable (note 7)</b>	<b>(15,790)</b>	<b>97,606</b>
<b>Net change in unrealized gain on investments</b>	<b>2,095,578</b>	<b>18,554,969</b>
<b>Net change in unrealized gain on loans payable (note 7)</b>	<b>360,137</b>	<b>1,193,816</b>
<b>Increase in net assets from operations</b>	<b>16,296,545</b>	<b>30,760,626</b>
Retained earnings, beginning of year	35,336,759	18,029,836
Excess of stated value paid on redemptions and repurchase of units	(7,094,958)	(3,721,531)
Distributions to unitholders (note 4)	(7,961,689)	(9,732,172)
<b>Retained earnings, end of year</b>	<b>\$ 36,576,657</b>	<b>\$ 35,336,759</b>
<b>Increase in net assets from operations per unit<sup>(1)</sup></b>	<b>\$ 2.02</b>	<b>\$ 3.42</b>

<sup>(1)</sup> Based on weighted average number of units outstanding for the period (note 3).

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

## Statements of Cash Flows

For the years ended December 31	2005	2004
<b>Cash flows from operating activities:</b>		
Increase in net assets from operations	\$ 16,296,545	\$ 30,760,626
Adjustments to reconcile net cash provided by (used in) operations (net of effects of acquisition of Brompton MVP Income Fund (note 1)):		
Net realized gain on investments	(5,739,798)	(2,107,138)
Net realized (gain) loss on loans payable	15,790	(97,606)
Net change in unrealized gain on investments	(2,095,578)	(18,554,969)
Net change in unrealized gain on loans payable	(360,137)	(1,193,816)
Amortization of deferred financing costs (note 7)	24,967	24,839
(Increase) decrease in distributions and interest receivable	(11,166)	92,643
Decrease in accounts payable and accrued liabilities	(30,799)	(3,946)
Purchase of investments (note 6)	(24,449,755)	(18,714,916)
Proceeds from sale of investments (note 6)	42,076,711	26,171,291
<b>Cash provided by operating activities</b>	<b>25,726,780</b>	<b>16,377,008</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in loans payable	(1,739,763)	965,011
Deferred financing costs paid	(13,632)	(8,860)
Distributions paid to unitholders (note 4)	(8,894,543)	(8,990,693)
Proceeds from distribution reinvestment plan (note 4)	—	66,414
Repurchase of units (note 3)	(2,659,804)	(1,335,208)
Amounts paid for redemption of units (note 3)	(10,881,785)	(5,435,518)
<b>Cash used in financing activities</b>	<b>(24,189,527)</b>	<b>(14,738,854)</b>
<b>Cash flows from investing activities:</b>		
Cash acquired from Brompton MVP Income Fund (note 1)	173,187	—
<b>Cash provided by investing activities</b>	<b>173,187</b>	<b>—</b>
Net increase in cash and short-term investments	1,710,440	1,638,154
Cash and short-term investments, beginning of year	2,194,453	556,299
<b>Cash and short-term investments, end of year</b>	<b>\$ 3,904,893</b>	<b>\$ 2,194,453</b>
<b>Supplemental information:</b>		
Interest paid	\$ 577,387	\$ 819,706

## Statements of Changes in Net Assets

For the years ended December 31	2005	2004
Net assets, beginning of year	\$ 111,913,053	\$ 103,101,592
<b>Operations:</b>		
Increase in net assets from operations	16,296,545	30,760,626
<b>Unitholder transactions:</b>		
Distributions to unitholders (note 4)		
Net investment income	(5,373,344)	(4,666,577)
Capital gains	—	(1,272,968)
Return of capital	(2,588,345)	(3,792,627)
Total	(7,961,689)	(9,732,172)
Repurchase of units (note 3)	(2,659,804)	(1,335,208)
Redemption of units (note 3)	(17,465,043)	(10,881,785)
Acquisition of net assets of Brompton MVP Income Fund (note 1)	57,637,522	—
Total unitholder transactions	29,550,986	(21,949,165)
Net increase in net assets	45,847,531	8,811,461
<b>Net assets, end of year</b>	<b>\$ 157,760,584</b>	<b>\$ 111,913,053</b>
<b>Distributions per unit</b>	<b>\$ 1.00</b>	<b>\$ 1.10</b>

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

## Statement of Investments

As at December 31, 2005		Cost (CDN)	Market Value (CDN)	% of Portfolio
<b>No. of Units</b>	<b>Business Funds</b>			
387,000	Altus Group Income Fund	\$ 4,603,190	\$ 5,677,290	
66,712	Armtec Infrastructure Income Fund	695,420	1,144,111	
318,100	BFI Canada Income Fund	4,985,928	8,935,429	
323,400	Boston Pizza Royalties Income Fund	4,386,626	5,106,486	
182,000	Cargojet Income Fund	1,790,400	1,747,200	
303,560	Chemtrade Logistics Income Fund	3,908,511	3,245,056	
294,000	Cineplex Galaxy Income Fund	3,745,070	4,292,400	
141,400	Connors Bros. Income Fund	1,618,328	1,518,636	
466,266	Davis + Henderson Income Fund	6,979,879	10,812,709	
487,000	Energy Savings Income Fund	5,337,520	9,248,130	
117,300	Fording Canadian Coal Trust	2,851,554	4,717,806	
385,000	Gateway Casinos Income Fund	5,003,500	6,144,600	
203,855	Livingston International Income Fund	3,061,359	4,586,738	
143,800	North West Company Fund	3,634,245	5,176,800	
39,500	Royster-Clark Ltd.	420,675	420,675	
44,160	Second Cup Royalty Income Fund	428,352	428,352	
382,600	SIR Royalty Income Fund	3,736,770	3,730,350	
24,700	Sleep Country Canada Income Fund	524,875	524,875	
225,000	Specialty Foods Group Income Fund	2,261,600	609,750	
47,200	Spinrite Income Fund	294,528	294,528	
157,000	Student Transportation of America IPS	1,845,404	2,103,800	
268,672	Sun Gro Horticulture Income Fund	2,317,526	1,813,536	
157,500	Superior Plus Income Fund	3,258,450	3,701,250	
226,200	The Data Group Income Fund	2,264,070	2,257,476	
253,100	The Keg Royalties Income Fund	2,783,766	3,135,909	
246,300	TimberWest Forest Corp.	3,410,772	3,793,020	
251,887	Westshore Terminals Income Fund	1,567,372	3,007,531	
197,542	Yellow Pages Income Fund	2,968,935	3,219,935	
		<b>80,684,625</b>	<b>101,394,378</b>	<b>49.0%</b>
<b>No. of Units</b>	<b>Oil and Gas Funds</b>			
65,400	Advantage Energy Income Fund	687,104	1,466,922	
428,798	ARC Energy Trust	7,647,544	11,358,859	
63,000	Bonavista Energy Trust	1,449,320	2,400,300	
42,417	Canadian Oil Sands Trust	2,985,677	5,344,542	
30,930	Enerplus Resources Fund	846,129	1,727,750	
173,340	Focus Energy Trust	3,066,972	4,458,305	
236,350	Shiningbank Energy Income Fund	5,156,732	6,889,603	
215,000	Viking Energy Royalty Trust	1,551,333	1,978,000	
		<b>23,390,811</b>	<b>35,624,281</b>	<b>17.2%</b>
<b>No. of Units</b>	<b>Real Estate Investment Trusts</b>			
40,000	Canadian Apartment Properties REIT	646,000	646,000	
57,700	Canadian Hotel Income Properties REIT	527,701	675,090	
100,000	Chartwell Seniors Housing REIT	1,370,255	1,600,000	
97,225	H&R REIT	1,360,921	2,022,280	
1,092,000	Huntingdon REIT	3,003,000	3,003,000	
204,000	InnVest REIT	2,234,460	2,558,160	
284,000	Northern Property REIT	3,946,203	5,396,000	
125,000	Primaris Retail REIT	1,270,893	2,042,500	
353,400	RioCan REIT	5,307,798	8,053,986	
77,500	Sunrise Senior Living REIT	1,043,150	1,043,150	
229,300	Summit REIT	4,244,617	5,633,901	
		<b>24,954,998</b>	<b>32,674,067</b>	<b>15.8%</b>
<b>No. of Units</b>	<b>Power and Pipeline Funds</b>			
120,000	Northland Power Income Fund	1,352,900	1,789,200	
115,000	Pembina Pipeline Income Fund	1,317,204	1,834,250	
		<b>2,670,104</b>	<b>3,623,450</b>	<b>1.8%</b>

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

## Statement of Investments (continued)

As at December 31, 2005		Cost (USD)	Cost (CDN)	Market Value (USD)	Market Value (CDN)	% of Portfolio
Par Value (\$)	Fixed Income Investments					
US 100,000	AES Corporation 8.75%, due June 15, 2008	\$ 108,005	\$ 137,836	\$ 105,500	\$ 123,240	
US 50,000	Ahern Rentals Inc. 9.25%, due August 12, 2013	50,000	60,030	52,875	61,766	
US 331,000	Alliance Imaging 7.25%, due December 15, 2012	306,374	374,069	277,213	323,827	
US 671,000	Allied Waste Industries, Inc. 8.5%, due December 1, 2008	704,127	826,880	707,905	826,944	
US 250,000	ArvinMeritor Inc. 6.8%, due February 15, 2009	232,950	282,477	234,375	273,787	
US 24,000	AT & T Corp 7.3%, due November 15, 2011	27,029	32,246	26,595	31,067	
CDN 1,100,000	Avenor Inc. 10.85%, due November 30, 2014	—	1,255,272	—	1,273,250	
US 1,070,000	Brand Services Inc. 12%, due October 15, 2012	1,181,077	1,481,096	1,128,850	1,318,673	
US 150,000	Cascades Inc. 7.25%, due February 15, 2013	133,626	158,027	137,250	160,329	
US 100,000	Century Aluminum Co. 7.5%, due August 15, 2014	100,000	133,450	99,000	115,647	
US 125,000	Chart Industries Inc. 9.125%, due October 15, 2015	125,690	146,979	128,125	149,670	
US 1,295,000	Charter Communications Holdings, LLC 10.25%, due September 15, 2010	1,313,182	1,589,169	1,295,000	1,512,762	
US 213,000	Chemed Corporation 8.75%, due February 24, 2011	229,045	276,361	229,508	268,101	
US 100,000	Clarke American Corp. 11.75%, due December 15, 2013	100,000	116,060	100,500	117,400	
US 250,000	Cogentrix Energy Inc. 8.75%, due October 15, 2008	263,728	325,312	274,318	320,446	
US 230,000	Columbia/HCA Healthcare Corporation 8.36%, due April 15, 2024	263,835	327,860	251,919	294,281	
US 376,000	Columbia/HCA Healthcare Corporation 9%, due December 15, 2014	441,721	552,834	441,808	516,100	
US 84,000	Columbus McKinnon Corp. 8.875% due November 1, 2013	84,033	100,245	87,780	102,541	
US 400,000	Dollar Financial Group 9.75%, due November 15, 2011	421,324	518,391	414,000	483,617	
US 800,000	Dollarama Group LP 8.875%, due August 15, 2012	794,752	943,670	788,000	920,507	
CDN 500,000	Dundee Bancorp Inc. 6.7%, due September 24, 2007	—	501,419	—	504,088	
US 475,000	Foot Locker Inc. 8.5%, due January 15, 2022	499,064	639,622	504,688	589,554	
US 271,000	FTD Inc. 7.75%, due February 15, 2014	273,317	334,153	269,645	314,987	
US 200,000	General Motors Nova Scotia Finance Co. 6.85%, due October 15, 2008	151,000	176,392	151,000	176,392	
US 550,000	Georgia Pacific Corp. 8.125%, due May 15, 2011	532,406	701,804	553,438	646,501	
US 124,000	Global Cash Access Inc. 8.75%, due March 15, 2012	133,320	156,260	132,525	154,810	
US 95,000	GSC Holdings Corp. 8%, due October 1, 2012	93,285	110,032	89,775	104,871	
US 150,000	GTECH Holdings Corp. 4.75%, due October 15, 2010	135,770	161,734	136,847	159,858	
US 856,000	Healthsouth Corporation 8.375%, due October 1, 2011	849,931	991,527	875,260	1,022,440	
US 186,000	Herbst Gaming Inc. 8.125% June 1, 2012	194,735	229,985	194,370	227,054	
CDN 260,000	Hudson's Bay Company 7.5%, due June 15, 2007	—	260,650	—	261,300	
US 815,000	Intelsat Ltd. 7.625%, due April 15, 2012	736,214	907,373	662,188	773,538	
US 100,000	Intelsat Ltd. 8.695%, due January 15, 2012	102,128	121,829	102,125	119,298	
CDN 400,000	Intrawest Corporation 6.875%, due October 15, 2009	—	401,350	—	402,700	
US 800,000	Iron Mountain Inc. 7.75%, due January 15, 2015	815,816	1,045,028	810,000	946,206	
US 675,000	Jean Coutu Group (PJC) Inc. 8.5%, due August 1, 2014	658,503	803,829	621,000	725,425	
US 60,000	Kerzner International Ltd. 6.75%, due October 1, 2015	60,050	71,181	58,650	68,512	
US 100,000	Loews Cineplex Entertainment Corp. 9%, due August 1, 2014	99,500	118,568	101,500	118,568	
US 19,000	Longview Fibre Co. 10%, due January 15, 2009	19,923	23,918	20,045	23,416	
US 350,000	Lyondell Chemical Company, 11.125% due July 15, 2012	344,796	459,450	393,313	459,450	
US 15,000	MCI Inc. 5.908%, due May 1, 2007	15,056	17,875	15,150	17,698	
US 430,000	MCI Inc. 7.688%, due May 1, 2009	448,090	542,858	445,050	519,888	
US 150,000	Metals USA Inc. 11.125%, due December 1, 2015	150,000	177,465	154,500	180,480	
US 500,000	MGM Mirage Inc. 6.75%, due February 1, 2008	538,205	709,893	509,375	595,030	
US 500,000	Mobile Mini Inc. 9.5%, due July 01, 2013	543,270	684,847	551,875	644,676	
US 200,000	Mueller Group 10%, due May 1, 2012	215,250	258,069	213,500	249,401	
US 350,000	Mueller Industries 6%, due November 1, 2014	344,183	412,186	337,750	394,545	
US 200,000	Network Communications Inc. 10.75%, due December 1, 2013	197,382	231,726	201,000	234,799	
US 800,000	NexTel Communications Inc. 6.875%, due October 31, 2013	839,280	1,006,658	835,272	975,723	
US 50,000	Novelis Inc. 7.25%, due July 15, 2015	46,470	55,099	46,875	54,575	
US 250,000	Owens-Brockway Glass Container Inc. 8.75%, due November 15, 2012	262,558	315,402	270,000	315,402	
US 400,000	Park Place Entertainment Corporation 8.125%, due May 15, 2011	404,000	644,097	439,500	513,405	
US 75,000	Penney (J.C.) Corporation Inc. 8%, due March 1, 2010	76,379	96,044	82,219	96,044	
US 325,000	Quebecor Media Inc. 11.125%, due July 15, 2011	351,556	417,471	353,438	412,870	
US 224,857	Refco Group, Ltd. 9%, due August 1, 2012	206,241	248,514	174,264	203,568	
US 134,000	Resolution Performance Products LLC 8%, due December 15, 2009	138,047	168,089	137,350	160,446	
US 66,000	Resolution Performance Products LLC 9.5%, due April 15, 2010	66,762	82,529	67,155	78,448	
US 920,000	Rite Aid Corporation 8.125%, due May 1, 2010	963,654	1,152,802	940,700	1,098,884	
CDN 1,105,000	Rogers Wireless Communications Inc. 7.625%, due December 15, 2011	—	1,144,737	—	1,185,112	
US 200,000	Royal Caribbean Cruises 6.875%, due December 1, 2013	207,606	257,427	212,828	248,616	
CDN 500,000	Shaw Communications Inc. 6.1%, due November 16, 2012	—	496,945	—	496,030	
CDN 500,000	Shaw Communications Inc. 7.5%, due November 20, 2013	—	517,882	—	535,764	
CDN 250,000	Sherritt International Corporation 7.875%, due November 26, 2012	—	250,000	—	256,756	
US 150,000	Starwood Hotels & Resorts Worldwide Inc. 7.875%, due May 1, 2012	165,270	197,545	166,125	194,060	
US 400,000	Stater Bros. Holdings Inc. 8.125%, due June 15, 2012	407,020	499,208	398,000	464,926	
US 20,000	Sybron Dental Specialties Inc. 8.125%, due June 15, 2012	20,968	24,807	21,100	24,648	
US 95,000	Syniverse Technologies Inc. 7.75%, due August 15, 2013	96,461	115,742	96,188	112,362	
US 400,000	Teekay Shipping Corporation 8.875%, due July 15, 2011	448,240	565,971	454,000	530,343	
US 395,000	Thornburg Mortgage 8%, due May 15, 2013	406,984	484,850	391,050	456,807	
US 230,000	Unisys Corporation 8%, due October 15, 2012	223,293	263,096	213,900	249,869	
US 1,205,000	United Rentals Inc. 6.5%, due February 15, 2012	1,156,511	1,425,306	1,179,394	1,377,716	
US 900,000	United Surgical Partners Holdings, Inc. 10%, due December 15, 2011	942,480	1,274,545	974,250	1,138,076	
US 1,217,000	Western Financial Bank 9.625%, due May 15, 2012	1,294,109	1,753,843	1,369,125	1,599,352	
US 550,000	Western Oil Sands Inc. 8.375%, due May 1, 2012	582,940	799,741	620,813	725,206	
US 75,000	Wind Acquisition Fin SA. 10.75%, due December 1, 2015	75,000	88,050	77,813	90,897	
		24,413,516	35,235,687	24,406,443	33,425,527	16.2%
	<b>Total</b>	<b>\$ 24,413,516</b>	<b>\$ 166,936,225</b>	<b>\$ 24,406,443</b>	<b>\$ 206,741,703</b>	<b>100.0%</b>

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

## Notes to the Financial Statements

December 31, 2005 and 2004

### 1. OPERATIONS

Brompton VIP Income Fund (the “Fund”) is a closed-end investment trust created under the laws of the Province of Ontario on October 25, 2001 pursuant to an amended and restated declaration of trust. In 2005, the name of the Fund was changed from Brompton VIP Income Trust to Brompton VIP Income Fund. Computershare Trust Company of Canada is the Trustee and Brompton VIP Management Limited (the “Manager”) is responsible for managing the affairs of the Fund. MFC Global Investment Management, a subsidiary of Manulife Financial Corp., manages the Fund’s portfolio. RBC Dexia Investor Services Trust is the custodian of the Fund’s assets and prepares the weekly valuations of the Fund. The Fund commenced operations on February 19, 2002.

On October 26, 2005, special meetings of unitholders of the Fund and Brompton MVP Income Fund (“MVP”) were held. At the meetings, unitholders of each fund approved the merger of these two funds with Brompton VIP Income Fund remaining as the continuing fund. Pursuant to the merger, the Fund adopted the investment strategy of MVP, whose investment focus was on business funds with smaller weightings in real estate investment trusts, oil and gas funds, power and pipeline funds, high-yield debt and special situations.

On December 31, 2005 (“Acquisition Date”), the Fund acquired the net assets of MVP in exchange for 3,903,000 units of the Fund. The acquisition has been recorded using the purchase method of accounting for business combinations.

The value assigned to the units issued was based on the net asset value per unit on December 30, 2005. The following table summarizes the fair value of MVP’s assets acquired and liabilities assumed.

<b>Assets</b>	
Investments	\$ 74,313,999
Cash and short-term investments	173,187
Other assets	727,508
<b>Total assets acquired</b>	<b>75,214,694</b>
<b>Liabilities</b>	
Current liabilities	4,156,923
Loans payable	13,420,249
<b>Total liabilities assumed</b>	<b>17,577,172</b>
<b>Net assets acquired</b>	<b>\$ 57,637,522</b>

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and they include estimates and assumptions made by management that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of income and expenses during the periods for which the financial statements report. Actual results could differ from these estimates.

**a) Valuation of Investments**

The Fund’s investments are presented at estimated market value. Investments that are publicly traded are valued at their closing price. If a closing price is not available for publicly traded investments or if investments are traded over-the-counter, an average of the latest bid and ask prices is used. Short-term investments are valued at cost which, when taken together with accrued interest income thereon, is an approximation of their market value.

**b) Investment Transactions and Income Recognition**

Investment transactions are recorded on trade date and any realized gains or losses are recognized using the average cost of the investments. Interest income is recognized on an accrual basis. Distributions from income funds are recognized on the ex-distribution date. Net realized gains or losses on sale of investments include net realized gains or losses from foreign currency changes.

**c) Income Taxes**

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). Provided the Fund makes distributions in each year of its net income and net realized capital gains, the Fund will not generally be liable for income tax. It is the intention of the Fund to distribute all of its net income and net realized capital gains on an annual basis. Accordingly, no income tax provision has been recorded.

**d) Foreign Exchange**

The market value of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the noon rate of exchange on each valuation date. Purchases and sales of investments and income derived from investments are translated at the rate of exchange prevailing at the time of such transactions.

e) **Fair Value of Financial Instruments**

The fair values of the Fund's financial instruments, which are composed of cash and short-term investments, distributions and interest receivable, accounts payable and accrued liabilities, distributions payable to unitholders, redemptions payable to unitholders and loans payable, approximate their book values.

f) **Comparative Figures**

Certain comparative figures have been reclassified in accordance with National Instrument 81-106 and to conform to the current period's presentation of unitholders' capital and retained earnings.

### 3. UNITS OF THE FUND

#### Authorized

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Fund. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Fund. Units may be redeemed at the option of unitholders by tendering units of the Fund at least twenty business days prior to the second last business day of December ("Redemption Valuation Date"). Redemption of tendered units will be settled based on the net asset value per unit on the Redemption Valuation Date less associated costs of the redemption, including brokerage costs. Units tendered for redemption will be redeemed effective the Redemption Valuation Date of each year and will be settled on or before the twentieth business day in January.

#### Issued

	2005		2004	
	Number of Units	Amount	Number of Units	Amount
Units, beginning of year	8,170,097	\$ 76,576,294	9,076,502	\$ 85,071,756
Units redeemed	(1,186,081)	(11,116,900)	(786,205)	(7,368,864)
Units repurchased pursuant to a normal course issuer bid	(204,100)	(1,912,989)	(120,200)	(1,126,598)
Units issued on acquisition of MVP (note 1)	3,903,000	57,637,522	—	—
<b>Units, end of year</b>	<b>10,682,916</b>	<b>\$ 121,183,927</b>	<b>8,170,097</b>	<b>\$ 76,576,294</b>

On December 29, 2005, 1,186,081 units were redeemed at \$14.7250 per unit.

The Fund received approval from the Toronto Stock Exchange for a normal course issuer bid for the periods from November 8, 2004 to November 7, 2005 and from November 8, 2005 to November 7, 2006. Pursuant to these issuer bid periods, the Fund is permitted to purchase up to 883,000 units and 788,000 units, respectively, for cancellation. The Fund may only repurchase units when the net asset value per unit exceeds its trading price. During the year ended December 31, 2005, 204,100 (2004 – 120,200) units were purchased for cancellation.

The weighted average number of units outstanding for the year ended December 31, 2005 was 8,071,363 (2004 – 8,984,012).

### 4. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions, as declared by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable by the tenth business day of the following month. For the year ended December 31, 2005, the Fund declared total distributions of \$7,961,689 (2004 – \$9,732,172), or \$1.00 (2004 – \$1.10) per unit. Under the Fund's distribution reinvestment plan, unitholders may elect to reinvest monthly distributions in additional units of the Fund which may be issued from treasury or purchased in the open market. For the year ended December 31, 2005, no (2004 – nil) units in respect of distributions were issued by the Fund.

### 5. MANAGEMENT AND SERVICE FEES

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.85% per annum of the net asset value of the Fund plus applicable taxes. The Manager is responsible for paying fees of MFC Global Investment Management for the portfolio management services it provides the Fund. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the net asset value of the Fund. The service fee is in turn paid by the Manager to investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

### 6. INVESTMENT TRANSACTIONS

Investment transactions for the years ended December 31 were as follows:

	2005	2004
Proceeds from sale of investments	\$ 42,076,711	\$ 26,171,291
Less cost of investments sold:		
Investments at cost, beginning of year	104,509,384	109,858,621
Investments purchased during the year	24,449,755	18,714,916
Investments acquired upon merger with MVP (note 1)	74,313,999	—
Investments at cost, end of year	(166,936,225)	(104,509,384)
<b>Cost of investments sold during the year</b>	<b>36,336,913</b>	<b>24,064,153</b>
<b>Net realized gain on sale of investments</b>	<b>\$ 5,739,798</b>	<b>\$ 2,107,138</b>

## Notes to the Financial Statements (continued)

Foreign exchange losses arising from the disposition of investments of \$1,611,029 (2004 – \$1,373,542) are included in the net realized gain of \$5,739,798 (2004 – \$2,107,138) above.

Brokerage commissions on investments purchased and sold during the year ended December 31, 2005 amounted to \$52,946 (2004 – \$39,727).

For the years ended December 31, 2005 and 2004, there were no soft dollar amounts paid.

### 7. LOANS PAYABLE

Pursuant to an agreement with a Canadian chartered bank, the Fund maintains a 364-day revolving credit facility and two term credit facilities. The revolving credit facility provides for maximum borrowings of \$23.0 million with borrowings in Canadian currency at either the prime rate of interest or the bankers' acceptance rate plus a fixed percentage or in US currency at the LIBOR rate plus a fixed percentage. At December 31, 2005, the Fund had borrowings of \$4.1 million at the prime rate and LIBOR based borrowings in the amount of \$3.9 million (US\$3.3 million) outstanding under this facility. On May 29, 2003, the Fund borrowed US\$13.0 million under a term credit facility at a fixed rate of interest of 3.89% for a five-year period ending May 28, 2008, which represents \$15.2 million at December 31, 2005. The Fund also assumed on the acquisition of MVP, a term loan of US\$8.0 million for a five-year period to July 14, 2010 at 4.86% which represents \$9.3 million at December 31, 2005. During the year ended December 31, 2005, the Fund realized a foreign exchange gain (loss) in the amount of \$(15,790) (2004 – \$97,606) on the repayment of borrowings in US dollars under the revolving credit facility. At December 31, 2005, borrowings in US dollars had an unrealized foreign exchange gain of \$2,654,376 (2004 – \$2,294,239). The credit facilities are secured by a first-ranking and exclusive charge on all of the Fund's assets. During the year ended December 31, 2005, the minimum and maximum amounts of borrowings were \$18.3 million (2004 – \$20.9 million) and \$32.5 million (2004 – \$25.0 million), respectively.

Costs incurred to establish the credit facilities and renewal fees are deferred and amortized over the term of the facilities. For the year ended December 31, 2005, the Fund has recorded amortization of these costs in the amount of \$24,967 (2004 – \$24,839).

The credit facilities are used by the Fund for the purchase of additional investments and for general Fund purposes.

## Corporate Information

### Directors

Peter A. Braaten, BA, MBA

James W. Davie, B.Comm, MBA

P. Michael Nedham, BSc, MBA, CBV

Arthur R.A. Scace, QC, CM

Ken S. Woolner, BSc, PEng

### Officers

Peter A. Braaten

Chairman

Raymond R. Pether

Chief Executive Officer

Mark A. Caranci

President

Craig T. Kikuchi

Chief Financial Officer

David E. Roode

Senior Vice President

Moyra E. MacKay

Vice President and Corporate Secretary

Lorne J. Zeiler

Vice President

Jessica Leung

Controller

Ann P. Wong

Controller

Debbie M. Chin

Assistant Vice President

Christopher Cullen

Assistant Vice President

### Continuous Disclosure Manager

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### Trustee

Computershare Trust Company of Canada

### Custodian

RBC Dexia Investor Services Trust

### Auditors

PricewaterhouseCoopers LLP

### Banker

Bank of Nova Scotia

### Website

www.bromptongroup.com