BROMPTON VIP INCOME FUND

VALUE INTEGRITY PERFORMANCE

2005 ANNUAL REPORT

Management Report of Fund Performance

February 10, 2006

This annual management report of fund performance for Brompton VIP Income Fund (the "Fund") contains financial highlights but does not contain the complete audited annual financial statements. The complete audited annual financial statements are appended to this report.

Unitholders may obtain a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure, at no cost by calling 866-642-6001, or by sending a request to Suite 2930, P.O. Box 793, Bay Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario, M5J 2T3.

Investment Objectives and Strategies

Brompton VIP Income Fund is a closed-end investment trust that is listed on the Toronto Stock Exchange under the symbol VIP.UN and is managed by Brompton VIP Management Limited (the "Manager"). In late 2005, the name of the Fund was changed from Brompton VIP Income Trust to Brompton VIP Income Fund. The Fund's objectives are to provide unitholders with a high level of income through receipt of monthly cash distributions and to preserve the net asset value per unit. The Fund utilizes an active asset and sector allocation strategy to invest in a diversified portfolio of income trusts and high-yield debt across a broad range of industries and geographic areas. Its investment focus is 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. The Fund is actively managed by MFC Global Investment Management, a subsidiary of Manulife Financial Corp. The Fund is RRSP, DPSP, RRIF and RESP eligible.

Risks

There are risks associated with an investment in units of the Fund. The prospectus that was issued in connection with the initial public offering of the Fund's units, as well as the Fund's annual information form, contains a discussion of these risks. These documents are available on the Fund's website at www.bromptongroup.com or on SEDAR at www.sedar.com. Below is a discussion of some of the more significant risks affecting the Fund in 2005.

Decline in the Net Asset Value of the Fund

The value of the portfolio investments held by the Fund can decline for a number of reasons including changes in commodity prices, increases in interest rates, environmental problems, changes to government regulations, adverse financial markets, insolvency, declines in asset values, operational and management difficulties or natural and other disasters. Among these factors, in 2005, rising oil and natural gas prices have impacted the Fund. Rising prices have contributed to the increase in the value of the oil and gas income trusts held by the Fund and in turn the net asset value of the Fund. A decline in oil and natural gas prices in the future could negatively impact the net asset value of the Fund. The Fund has a large and well-diversified portfolio by issuer and industry which assists in mitigating this risk. At the end of 2005, oil and gas income trusts comprised 17% of the Fund's portfolio.

Changes in Legislation

As illustrated in the discussion under "Recent Developments – Tax Treatment of Income Trusts," a potential change in the method income trusts are taxed can have a material impact on the net asset value of the Fund. There can be no assurance that tax laws affecting the treatment of mutual fund trusts under the Income Tax Act (Canada) will not be changed in the future in a manner which may adversely affect the distributions received by the Fund.

Interest Rate Exposure and Leverage

The Fund has borrowed amounts to invest in additional portfolio investments to increase the overall distributions of the Fund. The Fund has borrowed largely in US dollars in order to hedge its foreign currency exposure to the US dollar bond holdings in its portfolio. If interest rates increase during a period when leverage is utilized, increased interest costs will reduce income available to be distributed. With the rise in short-term US interest rates over the year, the Fund has mitigated this risk by the fixing of the interest rates on US$21.0 million of its borrowings. The Fund has fixed the interest rate on US$13.0 million of borrowings to May 2008 and US$8.0 million to July 2010.

Leverage can also impact the net asset value of the Fund as it will enhance the net asset value during a period when the Fund's investments have appreciated and will exacerbate the decline of net asset value during a falling market. The greater the amount of leverage, the greater the impact on net asset value of a rise or decline in market prices of the Fund's investments. During 2005, leverage had a positive impact on the net asset value as the value of the portfolio increased.

Changes in interest rates can also affect the value of securities held in the Fund's portfolio. In particular, the high-yield debt are sensitive to interest rates due to the fixed interest rate coupon.

Significant Redemptions and Units Trading at a Discount

Units of the Fund are redeemable each year, in December, at their net asset value per unit on the second last business day of December. The purpose of the annual redemption right is to reduce the likelihood that units of the Fund trade at a substantial discount to net asset value per unit and to provide unitholders with the right to realize their investment, once per year, at net asset value per unit less costs associated with the redemption including brokerage costs. While the redemption right provides unitholders the option of annual liquidity at net asset value, the Fund may trade at a significant discount during the year. In addition, if a significant number of units are redeemed, the trading liquidity of the units could be significantly reduced and expenses of the Fund would be spread over fewer units, resulting in a higher management expense ratio ("MER") for the Fund. In 2005, 1,186,081 units were redeemed for proceeds of $17.5 million.

Recent Developments

Merger of the Fund and Brompton MVP Income Fund

On October 26, 2005, a special meeting of unitholders of the Fund and Brompton MVP Income Fund ("MVP") was held, at which time the merger of the Fund and MVP was approved by over 95% of the unitholders present in person or by proxy.

The merger gives unitholders of both funds the opportunity to hold units of a fund with a larger market capitalization, potential increased trading liquidity and a lower management expense ratio (excluding interest costs). At the opening of trading on January 3, 2006, the combined fund had a market capitalization of $147.4 million. Pursuant to the merger, the Fund adopted the investment strategy of MVP, which utilizes an active asset and sector allocation strategy to invest in a diversified portfolio of income trusts and high-yield debt across a broad range of industries and geographic areas. The investment focus is now 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. Following the merger, the combined portfolio did not require significant changes.

The merger was effective December 31, 2005 and included the acquisition by the Fund of all of the net assets of MVP amounting to $57.6 million in exchange for the issuance of 3.9 million units of the Fund to MVP. The exchange ratio was calculated based on relative net asset values and resulted in 1.07245 units of the Fund being issued for each MVP unit. The units were distributed to unitholders of MVP through an automatic redemption process, with the result that unitholders of MVP became unitholders of the Fund. The merger was effected on a tax-deferred basis so that when MVP unitholders exchanged their units for units of the Fund it did not result in any capital gains or losses for MVP unitholders. MVP unitholders were deemed to acquire the units of the Fund at a cost equal to the adjusted cost base of their units of MVP.

MVP's net assets which were acquired were comprised of the following:

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

Other Amendments to the Declaration of Trust

At the special meeting in October 2005, several additional amendments to the Declaration of Trust were approved by unitholders. These additional amendments were to (i) conform to current regulatory requirements and industry practices, and (ii) provide greater flexibility and certainty in the administration of the Fund and to reduce administrative costs.

The main amendment to the Fund's Declaration of Trust changed the annual redemption date from the last business day of December to the second last business day of December. A second amendment revised the calculation of the redemption amount so that it included any costs associated with the redemption, including brokerage costs. This change more appropriately allocates the costs of the redemption to the redeeming unitholders. A third amendment increased the redemption notice period from at least 5 business days to at least 20 business days prior to the redemption date. The notice period was increased to allow an appropriate amount of time to liquidate the necessary portfolio securities to fund such redemptions in an orderly manner.

Tax Treatment of Income Trusts

On September 8, 2005, the Department of Finance launched public consultations on tax and other issues related to publicly listed flow-through entities ("FTEs") such as income trusts. On September 19, 2005, the tax treatment of income trusts became more uncertain when the Department of Finance announced that the Canada Revenue Agency ("CRA") was going to stop issuing advance income tax rulings on FTE structures while the public consultations were underway. In the period following these announcements the value of the income trust sector declined substantially.

On November 23, 2005, the Federal Minister of Finance announced that the government planned to alter the manner in which dividend income is taxed rather than changing the way that income trusts are taxed. The Minister decided to reduce the tax rate on certain dividends, over time, to ultimately make the effective rate of tax on dividends comparable to that paid on income flowed through an income trust. The Minister of Finance also indicated that CRA would resume issuing advance tax rulings with respect to income trusts. Enactment of the proposals remains outstanding, and it is not certain that the provinces will follow suit. If the provinces do not change the manner in which dividends are taxed, the effective rate of tax on dividend income will still be higher and the income tax imbalance between corporations and income trusts will be maintained. Following this latter announcement, the value of the income trust sector experienced a significant rally.

Results of Operations

Distributions

During the year ended December 31, 2005, the Fund made monthly cash distributions which totalled $1.00 per unit. Since inception, the Fund has paid regular monthly distributions at or exceeding its original objectives and is currently paying $0.08333 per unit which equates to a per annum rate of $1.00 per unit. Following the merger, the Fund has maintained its monthly distributions at this level and in January 2006, the Fund declared distributions of $0.08333 per unit for each of January, February and March.

A detailed breakdown of the tax characteristics of all of the 2005 distributions for the Fund and MVP is provided later under "2005 Tax Information."

The Fund has a distribution reinvestment plan which allows participating unitholders to automatically reinvest monthly distributions in additional units of the Fund. For the year ended December 31, 2005, 53,843 units were acquired in the market pursuant to this plan at an average price of $13.35 per unit.

Net Asset Value

As a result of the strong performance of the Fund's investment portfolio, the net asset value per unit increased by $1.07 per unit or 7.8% from $13.70 to $14.77 over the year. The aggregate net assets of the Fund increased from $112 million as of December 31, 2004 to $158 million at December 31, 2005. This increase includes MVP's net assets of $57.6 million (which is net of MVP's December redemption in the amount of $3.6 million) and reflects redemptions of $17.5 million at the end of the year.

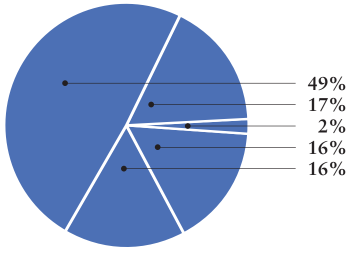
Investment Portfolio

As of December 31, 2005, the Fund's investments included a total of 48 income funds and 75 fixed income investments, which provide diversification by issuer, industry, and asset class. The breakdown of the portfolio is shown in the pie chart below, and a detailed listing of the Fund's security holdings is provided in the financial statements.

In 2005, the income trust market experienced significant volatility, particularly following the federal government's announcement in September that it was suspending its advance tax rulings on flow-through entities. However, subsequent to the Minister of Finance's announcement on tax on dividend income in November, the income trust market rallied and the S&P/TSX Capped Income Trust Index, excluding distributions from underlying income trusts, increased by 21% over the year. In 2005, the S&P/TSX Capped Energy Trust Index and S&P/TSX REIT Index, excluding distributions from underlying trusts increased by 37% and 17%, respectively, both outperforming business trusts, as demonstrated by CIBC World Markets Business Trust Price Index increasing by only 6% over the same period. The strong performance of the oil and gas and real estate investment trust sectors is reflected in the Fund's results as shown in the table below. The Fund's business trusts did not perform as well as the CIBC World Markets Business Trust Price Index. This was a result of lower weightings in strong performing funds such as Yellow Pages Income Fund and Fording Canadian Coal Trust which comprised approximately 16% and 12%, respectively, of the CIBC World Markets Business Trust Price Index, while they comprised about 0.6% and 2.2%, respectively, of the Fund during the year. Many of the Fund's larger business trust holdings such as Davis + Henderson Income Fund, Consumers' Waterheater Income Fund and Gateway Casinos Income Fund also had small price increases or price depreciation.

The Fund's fixed income securities are high-yield debt and are mostly denominated in US dollars. The value of the Fund's high-yield debt portfolio was adversely affected by increased spreads between corporate and government debt securities. In order to hedge the foreign exchange exposure, an amount approximately equal to these US dollar denominated assets has been borrowed under the Fund's credit facilities in US dollars. As a result, gains or losses on the US dollar foreign exchange hedging are included with the gains or losses on the fixed income securities to show the net gain from this investment activity.

Portfolio Sectors



Net Gains (Losses) by Sector (millions)		Realized		Unrealized		Total
Business funds	$	3.6	$	(5.5)	$	(1.9)
Oil and gas funds		1.5		5.4		6.9
Power and pipeline funds		0.8		(0.2)		0.6
Real estate investment trusts		1.9		2.3		4.2
Fixed income securities and foreign exchange		(2.1)		0.5		(1.6)
Total	$	5.7	$	2.5	$	8.2

Liquidity and Capital Resources

As of December 31, 2005, the Fund had total borrowings of $32.5 million under its three credit facilities, which represented 15.3% of total assets or 20.6% of net assets. The Fund currently has a 364-day revolving credit facility and two term credit facilities. The current 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 US$3.3 million ($3.9 million) outstanding under its revolving facility. In connection with the merger with MVP, the Fund assumed the term loan that MVP had outstanding and as a result has two term loans. Under its original term loan, the Fund has borrowed US$13.0 million at a fixed rate of interest of 3.89% for a five-year period ending May 28, 2008, and this represented $15.2 million of the total borrowings at December 31, 2005. The MVP term loan that the Fund has assumed is US$8.0 million with a five-year term to July 14, 2010 and a fixed rate of interest of 4.86%. This loan represented $9.3 million of the total borrowings at December 31, 2005. With the rise of US short-term interest rates over the past year, the Fund has mitigated this risk by having the interest rate fixed on a significant portion of its borrowings. At the end of the year, 75% of the Fund's borrowings have a fixed interest rate, which will benefit the Fund should short-term US interest rates continue to rise. At December 31, 2005, borrowings in US dollars had an unrealized foreign exchange gain of $2.7 million which hedges foreign exchange losses on the Fund's US dollar securities. The term loans have been used to invest in additional portfolio investments to increase the overall distributions paid by the Fund. The revolving credit facility has also been used to invest in additional portfolio investments, as well as for working capital purposes. During the year ended December 31, 2005, the minimum and maximum amounts of borrowings were $18.3 million and $32.5 million, respectively.

To provide liquidity, units of the Fund are listed on the TSX under the symbol VIP.UN. The Fund's normal course issuer bid program allows it to purchase its units on the TSX when they trade below net asset value per unit. As a result, purchases under the issuer bid are accretive to the net asset value per unit. A total of 204,100 units were purchased in 2005 under this program at an average price of $13.03 per unit.

On December 29, 2005, pursuant to the annual redemption, 1,186,001 units of the Fund were redeemed for proceeds of $17.5 million.

Related Party Transactions

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 the 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. In 2005, management and service fees amounted to $1.0 million and $0.5 million, respectively.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the fiscal periods indicated. This information is derived from the Fund's audited annual financial statements. The information on the following tables is presented in accordance with National Instrument ("NI") 81-106 and, as a result, does not act as a continuity of opening and closing net asset value per unit. The increase (decrease) in net assets from operations is based on average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.

Net Asset Value per Unit

	2005	2004	2003	2002[1]
Net asset value, beginning of year[2]	$ **13.70**	$ 11.36	$ 9.29	$ 9.37
Increase (decrease) from operations:[3]				
Total revenue	**1.32**	1.25	1.26	0.96
Total expenses	**(0.31)**	(0.28)	(0.25)	(0.20)
Realized gain (loss) for the year	**0.71**	0.25	0.01	(0.16)
Unrealized gain for the year	**0.30**	2.20	2.04	0.05
Total increase in net assets from operations	$ **2.02**	$ 3.42	$ 3.06	$ 0.65
Distributions to unitholders:[2]				
From net investment income (excluding dividends)	$ **0.61**	$ 0.48	$ 0.52	$ 0.35
From dividends	**0.06**	0.05	0.07	0.04
From net realized gain on investments	**—**	0.14	—	—
Return of capital	**0.33**	0.43	0.41	0.34
Total distributions to unitholders	$ **1.00**	$ 1.10	$ 1.00	$ 0.73
Net asset value, end of year[2]	$ **14.77**	$ 13.70	$ 11.36	$ 9.29

(1) Period from February 19, 2002 (commencement of operations) to December 31, 2002.

(2) Net asset value per unit and distributions per unit are based on the actual number of units outstanding at the relevant time.

(3) The increase (decrease) in net assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

Ratios and Supplemental Data

	2005	2004	2003	2002
Net assets (in 000s)	$ **157,761**	$ 111,913	$ 103,102	$ 90,690
Number of units outstanding (in 000s)	**10,683**	8,170	9,077	9,763
Management expense ratio ("MER") (1) (2)	**2.24%**	2.45%	2.47%	9.09%
MER excluding interest expense and issuance costs(1)	**1.52%**	1.51%	1.56%	1.59%
Portfolio turnover rate (3)	**17.75%**	14.34%	28.04%	N/A
Trading expense ratio(4)	**0.05%**	N/A	N/A	N/A
Closing market price	$ **13.80**	$ 13.30	$ 11.20	$ 9.50

(1) Annualized for the period from February 19, 2002 (commencement of operations) to December 31, 2002.

(2) Management expense ratio is based on the total expenses of the Fund for the stated period, including interest expense and issuance costs, and is expressed as an annualized percentage of the average net assets of the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate is not provided when a fund is less than one year old. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period.

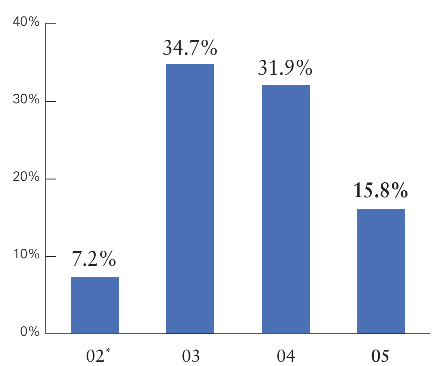
(4) The trading expense ratio represents total commissions expressed as an annualized percentage of daily average net assets of the Fund during the period. This disclosure is a new requirement under NI 81-106 and is not applied retroactively.

Past Performance

The following chart and table shows the past performance of the Fund and will not necessarily indicate how the Fund will perform in the future. The information shown is based on net asset value per unit and assumes that distributions made by the Fund in the periods shown were reinvested (at net asset value per unit) in additional units of the Fund.

Year-by-Year Returns

The bar chart shows the Fund's annual return (based on net asset value per unit) in each year since inception to December 31, 2005. The chart shows, in percentage terms, how an investment held on the first day of each fiscal year would have increased or decreased by the last day of the fiscal year.



* For the period from February 19, 2002 (commencement of operations) to December 31, 2002.

Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the S&P/TSX Capped Income Trust Index ("Income Trust Index"). The Income Trust Index is a broad-based composite index which may encompass any or all Global Industry Classification Standard ("GICS") sectors of the income trust marketplace. Income trusts that qualify for inclusion must derive their distribution income from actual operating entities.

	1 year	3 year	Since Inception(1)
Brompton VIP Income Fund	15.8%	27.2%	22.2%
S&P/TSX Capped Income Trust Index	31.0%	31.9%	21.0%

(1) For the period from February 19, 2002 (commencement of operations) to December 31, 2005.

The Fund has generated strong annual compound returns of 15.8% and 27.2% over the past one-year and three-year periods and 22.2% since inception. The returns of the Fund lagged the Income Trust Index over the one and three-year periods due to a lower concentration in the oil and gas sector, which had generated a higher relative return compared to other income trust sectors such as business trusts in which the Fund had a higher relative weighting. As at December 31, 2005, oil and gas income trusts comprised 51% of the Income Trust Index while 17% of the Fund's portfolio was comprised of oil and gas income trusts. The return of high-yield debt, which has generally comprised 20% of the Fund's portfolio, had lower returns than those generated by income trusts in the Income Trust Index.

Summary of Investment Portfolio

As at December 31, 2005

Total net asset value	$ 157,760,584

Portfolio Composition	% of NAV
Business funds	64.2%
Oil and gas funds	22.6%
Fixed income investments	21.2%
Real estate investment trusts	20.7%
Cash and short-term investments	2.5%
Power and pipeline funds	2.3%
Total investment portfolio	133.5%
Other net liabilities	(33.5%)
Total net asset value	100.0%

Top 25 Holdings	% of NAV
ARC Energy Trust	7.2%
Davis + Henderson Income Fund	6.9%
Energy Savings Income Fund	5.9%
BFI Canada Income Fund	5.7%
RioCan REIT	5.1%
Shiningbank Energy Income Fund	4.4%
Gateway Casinos Income Fund	3.9%
Altus Group Income Fund	3.6%
Summit REIT	3.6%
Northern Property REIT	3.4%
Canadian Oil Sands Trust	3.4%
North West Company Fund	3.3%
Boston Pizza Royalties Income Fund	3.2%
Fording Canadian Coal Trust	3.0%
Livingston International Income Fund	2.9%
Focus Energy Trust	2.8%
Cineplex Galaxy Income Fund	2.7%
Cash and short-term investments	2.5%
TimberWest Forest Corp.	2.4%
SIR Royalty Income Fund	2.4%
Superior Plus Income Fund	2.3%
Student Transportation of America IPS	2.3%
Chemtrade Logistics Income Fund	2.1%
Yellow Pages Income Fund	2.0%
The Keg Royalties Income Fund	2.0%

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end.

2005 Tax Information

The following information is applicable to holders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold Fund units as capital property outside of an RRSP, RRIF or DPSP. Unitholders should receive a T3 slip from their investment dealer providing this information.

T3 supplementary slips for holdings of the Fund will indicate Foreign Non-Business Income in Box 25, Other Taxable Income in Box 26, Capital Gains in Box 21 and Dividend Income in Box 23. Dividend income is subject to the standard gross-up and federal dividend tax credit rules.

The return of capital component is a non-taxable amount that serves to reduce the adjusted cost base of Fund units and is reported on the T3 supplementary slips in Box 42.

The following table outlines the breakdown of the Fund's distributions declared in 2005 on a per unit basis.

Record Date	Payment Date	Return of Capital	Foreign Non-Business Income	Other Taxable Income	Dividend Income	Capital Gains	Total Distribution
Jan. 31, 2005	Feb. 14, 2005	$ 0.02709	$ 0.01353	$ 0.03770	$ 0.00501	$ —	$ 0.08333
Feb. 28, 2005	Mar. 14, 2005	0.02709	0.01353	0.03770	0.00501	—	0.08333
Mar. 31, 2005	Apr. 14, 2005	0.02709	0.01353	0.03770	0.00501	—	0.08333
Apr. 29, 2005	May 13, 2005	0.02709	0.01353	0.03770	0.00501	—	0.08333
May 31, 2005	June 14, 2005	0.02709	0.01353	0.03770	0.00501	—	0.08333
June 30, 2005	July 15, 2005	0.02709	0.01353	0.03770	0.00501	—	0.08333
July 29, 2005	Aug. 15, 2005	0.02709	0.01353	0.03770	0.00501	—	0.08333
Aug. 31, 2005	Sep. 15, 2005	0.02709	0.01353	0.03770	0.00501	—	0.08333
Sep. 30, 2005	Oct. 17, 2005	0.02709	0.01353	0.03770	0.00501	—	0.08333
Oct. 31, 2005	Nov. 14, 2005	0.02709	0.01353	0.03770	0.00501	—	0.08333
Nov. 30, 2005	Dec. 14, 2005	0.02709	0.01353	0.03770	0.00501	—	0.08333
Dec. 30, 2005	Jan. 16, 2006	0.02709	0.01353	0.03770	0.00501	—	0.08333
Total		**$ 0.32508**	**$ 0.16236**	**$ 0.45240**	**$ 0.06012**	**$ —**	**$ 0.99996**

The following table outlines the breakdown of Brompton MVP Income Fund's distributions declared in 2005 on a per unit basis.

Record Date	Payment Date	Return of Capital	Foreign Non-Business Income	Other Taxable Income	Dividend Income	Capital Gains	Total Distribution
Jan. 31, 2005	Feb. 14, 2005	$ 0.03161	$ 0.02032	$ 0.02200	$ 0.00524	$ —	$ 0.07917
Feb. 28, 2005	Mar. 14, 2005	0.03161	0.02032	0.02200	0.00524	—	0.07917
Mar. 31, 2005	Apr. 14, 2005	0.03161	0.02032	0.02200	0.00524	—	0.07917
Apr. 29, 2005	May 13, 2005	0.03327	0.02139	0.02316	0.00551	—	0.08333
May 31, 2005	June 14, 2005	0.03327	0.02139	0.02316	0.00551	—	0.08333
June 30, 2005	July 15, 2005	0.03327	0.02139	0.02316	0.00551	—	0.08333
July 29, 2005	Aug. 15, 2005	0.03327	0.02139	0.02316	0.00551	—	0.08333
Aug. 31, 2005	Sep. 15, 2005	0.03327	0.02139	0.02316	0.00551	—	0.08333
Sep. 30, 2005	Oct. 17, 2005	0.03327	0.02139	0.02316	0.00551	—	0.08333
Oct. 31, 2005	Nov. 14, 2005	0.03327	0.02139	0.02316	0.00551	—	0.08333
Nov. 30, 2005	Dec. 14, 2005	0.03327	0.02139	0.02316	0.00551	—	0.08333
Dec. 30, 2005	Jan. 16, 2006	0.03327	0.02139	0.02316	0.00551	—	0.08333
Total		**$ 0.39426**	**$ 0.25347**	**$ 0.27444**	**$ 0.06531**	**$ —**	**$ 0.98748**

Portfolio Manager

MFC Global Investment Management

MFC Global Investment Management is the diversified investment management group of Manulife Financial and is the portfolio manager for Brompton's two oldest funds – Brompton VIP Income Fund and Brompton Stable Income Fund. MFC Global is a top-ranked portfolio manager of income fund investments with extensive experience in income trusts and both high-yield and investment grade fixed income investments. In fact, of the 3,055 Canadian mutual funds rated by Morningstar, Elliott & Page Monthly High Income Fund ranked #1 overall in risk-adjusted returns for the five-year period ended January 31, 2006. MFC Global has more than 100 years of experience managing portfolios for The Manufacturers Life Insurance Company, John Hancock Life Insurance Company, and other major clients. With more than Cdn$240 billion in assets under management, MFC Global Investment Management is a leading global investment management group.

Forward-looking Statements

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

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
Assets		
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
Total assets	212,703,328	145,743,130
Liabilities		
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
Total liabilities	54,942,744	33,830,077
Unitholders' equity		
Unitholders' capital (note 3)	121,183,927	76,576,294
Retained earnings	36,576,657	35,336,759
Net assets representing unitholders' equity	$ 157,760,584	$ 111,913,053
Units outstanding (note 3)	10,682,916	8,170,097
Net asset value per unit	$ 14.77	$ 13.70

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
Income		
Distributions from income funds	$ 8,926,848	$ 9,328,604
Interest income	1,711,887	1,949,997
	10,638,735	11,278,601
Expenses		
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
	2,521,913	2,471,504
Net investment income	8,116,822	8,807,097
Net realized gain on investments (note 6)	5,739,798	2,107,138
Net realized gain (loss) on loans payable (note 7)	(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 (note 7)	360,137	1,193,816
Increase in net assets from operations	16,296,545	30,760,626
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)
Retained earnings, end of year	$ 36,576,657	$ 35,336,759
Increase in net assets from operations per unit[1]	$ 2.02	$ 3.42

[1] 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
Cash flows from operating activities:		
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
Cash provided by operating activities	25,726,780	16,377,008
Cash flows from financing activities:		
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)
Cash used in financing activities	(24,189,527)	(14,738,854)
Cash flows from investing activities:		
Cash acquired from Brompton MVP Income Fund (note 1)	173,187	—
Cash provided by investing activities	173,187	—
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
Cash and short-term investments, end of year	$ 3,904,893	$ 2,194,453
Supplemental information:		
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
Operations:		
Increase in net assets from operations	16,296,545	30,760,626
Unitholder transactions:		
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
Net assets, end of year	$ 157,760,584	$ 111,913,053
Distributions per unit	$ 1.00	$ 1.10

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
No. of Units	**Business Funds**			
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	
		80,684,625	**101,394,378**	**49.0%**
No. of Units	**Oil and Gas Funds**			
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	
		23,390,811	**35,624,281**	**17.2%**
No. of Units	**Real Estate Investment Trusts**			
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	
		24,954,998	**32,674,067**	**15.8%**
No. of Units	**Power and Pipeline Funds**			
120,000	Northland Power Income Fund	1,352,900	1,789,200	
115,000	Pembina Pipeline Income Fund	1,317,204	1,834,250	
		2,670,104	**3,623,450**	**1.8%**

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	54,757	
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%**
	Total	**$ 24,413,516**	**$ 166,936,225**	**$ 24,406,443**	**$ 206,741,703**	**100.0%**

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.

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

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**	—	—
Units, end of year	**10,682,916**	**$ 121,183,927**	8,170,097	$ 76,576,294

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)
Cost of investments sold during the year	**36,336,913**	24,064,153
Net realized gain on sale of investments	**$ 5,739,798**	$ 2,107,138

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

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