

VECTOR INCOME TRUST FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2005

February 24, 2006

Auditors' Report

**To the Participants of
Vector Income Trust Fund**

We have audited the statements of net assets and investment portfolio of **Vector Income Trust Fund** (the Fund) as at December 31, 2005 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's Investment Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Toronto, Ontario

Vector Income Trust Fund
STATEMENTS OF NET ASSETS

As at December 31	2005	2004
Assets		
Cash and short-term notes	\$ 725,732	\$ 261,107
Investments, at market value	11,834,023	8,976,870
Due from broker	-	45,840
Accrued interest and dividends receivable	79,841	51,832
	<u>12,639,596</u>	<u>9,335,649</u>
Liabilities		
Due to broker	-	36,000
Accrued expenses	6,796	6,184
	<u>6,796</u>	<u>42,184</u>
Net assets representing participants' equity (Note 2)	<u>\$ 12,632,800</u>	<u>\$ 9,293,465</u>
Net asset value per unit	<u>\$ 14.55</u>	<u>\$ 12.91</u>
Investments, at average cost	<u>\$ 8,916,048</u>	<u>\$ 7,262,304</u>

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

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

Per: 

Per: 

Vector Income Trust Fund
STATEMENTS OF OPERATIONS

For the year ended December 31	2005	2004
Investment income:		
Dividends	\$ 500	\$ 3,102
Interest	13,763	-
Income from investment trust units	595,378	473,578
Foreign withholding taxes	(952)	(62)
	608,689	476,618
Operating expenses (Note 3):		
Administration costs	18,032	13,957
Custodian fees, interest and bank charges	4,359	3,301
Audit fees	6,459	5,737
	28,850	22,995
Net investment income	579,839	453,623
Realized and Unrealized Gain (Loss) on Investments		
Gain on sale of investments	695,935	387,923
Loss on sale of foreign currencies	(452)	(61)
Net realized gain on investments	695,483	387,862
Change in unrealized appreciation (depreciation) of investments	1,203,409	1,315,876
Net realized and unrealized gain on investments	1,898,892	1,703,738
Increase in net assets from operations	\$ 2,478,731	\$ 2,157,361
Increase in net assets from operations per unit	\$ 3.25	\$ 3.29

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

Vector Income Trust Fund

STATEMENTS OF CHANGES IN NET ASSETS

For the year ended December 31	2005	2004
Net assets, beginning of year	\$ 9,293,465	\$ 7,115,549
Increase in net assets from operations	2,478,731	2,157,361
Distributions to participants:		
From net investment income	(579,884)	(453,653)
From realized gain on sale of investments	(714,377)	(389,315)
	(1,294,261)	(842,968)
Capital transactions:		
Issue of fund units	896,343	149,281
Reinvested distributions	1,294,261	842,968
Redemption of fund units	(35,739)	(128,726)
	2,154,865	863,523
Net increase in net assets for the year	3,339,335	2,177,916
Net assets, end of year	\$ 12,632,800	\$ 9,293,465

Summary of changes in number of outstanding units

Units outstanding, beginning of year	719,977	653,399
Number of units issued	61,856	12,183
Number of units reinvested	88,952	65,296
	870,785	730,878
Number of units redeemed	(2,490)	(10,901)
Units outstanding, end of year	868,295	719,977

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

Vector Income Trust Fund

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2005

<u>Number of Shares/Units</u>	<u>Security</u>		<u>Average Cost</u>	<u>Market Value</u>
Business Trusts - 26.1%				
17,000	BFI Canada Income Fund Trust Unit	\$	318,767	\$ 477,530
8,000	CCS Income Trust		134,056	296,000
10,500	Davis + Henderson Income Fund		178,555	243,495
15,000	Energy Savings Income Fund		229,038	284,850
15,000	Gateway Casinos Income Fund		249,791	239,400
15,000	Great Lakes Carbon Income Fund		167,117	151,500
15,000	KCP Income Fund		168,781	138,000
10,000	Mullen Group Income Fund		227,439	326,900
10,000	Newalta Income Fund		231,728	291,800
9,500	Superior Plus Income Fund		224,535	223,250
10,000	UE Waterheater Income Fund		97,925	138,000
27,000	Yellow Pages Income Fund		330,249	440,100
5,000	KCP Income Fund*		55,000	45,793
			<hr/>	<hr/>
			2,612,981	3,296,618
Pipeline And Power Trusts - 5.6%				
10,000	AltaGas Income Trust		253,412	279,500
15,000	Fort Chicago Energy Partners L.P.		140,958	179,850
25,000	Inter Pipeline Fund		174,672	251,250
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			569,042	710,600
Real Estate Investment Trusts - 25.6%				
12,500	Boardwalk Real Estate Investment Trust		203,125	264,875
12,500	Calloway Real Estate Investment Trust		180,870	296,750
15,500	Canadian Apartment Properties Real Estate Investment Trust		202,185	250,325
15,000	Canadian Real Estate Investment Trust		224,049	337,950
17,500	Chartwell Seniors Housing Real Estate Investment Trust		243,369	280,000
12,500	Cominar Real Estate Investment Trust		173,074	240,875
13,500	H&R Real Estate Investment Trust		199,123	280,800
22,500	IPC US Real Estate Investment Trust		221,897	255,600
17,500	Primaris Retail Real Estate Investment Trust		285,193	285,950
17,500	RioCan Real Estate Investment Trust		279,173	398,825
14,000	Summit Real Estate Investment Trust		219,057	343,980
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			2,431,115	3,235,930
Resource Trusts - 36.4%				
20,000	ARC Energy Trust		268,766	529,800
7,500	Bonavista Energy Trust		226,793	285,750
5,000	Canadian Oil Sands Trust		351,424	630,000
7,500	Enerplus Resources Fund		312,263	418,950
25,000	Esprit Energy Trust		301,591	336,500
10,000	Focus Energy Trust		186,016	257,200

<u>Number of Shares/Units</u>	<u>Security</u>	<u>Average Cost</u>	<u>Market Value</u>
	Resource Trusts - Cont'd.		
10,000	Penn West Energy Trust	\$ 297,330	\$ 379,900
12,500	Peyto Energy Trust	252,700	317,375
12,500	StarPoint Energy Trust	233,628	285,000
10,000	Precision Drilling Trust	344,752	383,800
10,000	Vermilion Energy Trust	171,591	297,400
25,000	Viking Energy Royalty Trust	149,686	230,000
20,000	Westshore Terminals Income Fund	206,370	239,200
		<u>3,302,910</u>	<u>4,590,875</u>
	Total investments - 93.7%	8,916,048	11,834,023
	Short-term notes - 5.5%	701,801	701,801
	Other net assets - 0.8%	96,976	96,976
	Total net assets - 100.0%	\$ <u>9,714,825</u>	\$ <u>12,632,800</u>

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

* Private Placement

VECTOR INCOME TRUST FUND

NOTES TO FINANCIAL STATEMENTS

1. Significant accounting policies:

These financial statements, prepared in accordance with generally accepted accounting principles in Canada, include estimates and assumptions by the Investment Manager that may effect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates. Certain prior period balances were reclassified to conform with the current presentation. The following is a summary of significant accounting policies followed by the Fund.

Valuation of investments:

- a) Investments are valued at market values which are determined for each security by the latest available sale price on the recognized stock exchange on which the security is listed or principally traded.
- b) Short-term investments are stated at cost. Interest income is accrued daily and is included in income receivable. In the opinion of the Investment Manager, the cost of investments, together with the accrued interest which is included in income receivable, approximates their market value.
- c) Private placements are valued at the lower of cost and the Investment Manager's best estimate of fair value.

Investment transactions and income recognition:

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date. Distributions received from investment trust units are recorded as income, capital gains or a return of capital, based on the best information available to the Investment Manager. Due to the nature of these investments, actual allocations could vary from this information. Amounts recorded as a return of capital reduce the cost of the investment in the trust unit. Discounts arising on the purchase of short-term notes are recognized as income over the term to maturity. Realized gains (losses) from investment transactions and unrealized appreciation (depreciation) of investments are determined on an average cost basis.

Translation of foreign currency transactions and balances:

The market value of assets in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on each valuation date. Purchases and sales of investments and income are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on completed transactions are included in realized gain (loss) on sales of investments and unrealized gains (losses) are included in unrealized appreciation (depreciation) of investments.

Increase in net assets from operations per unit:

Increase in net assets from operations per unit is based on the increase (decrease) in net assets from operations divided by the average number of units outstanding during the period.

2. Participants' equity:

Participants' equity includes the amounts representing the Fund's units, any undistributed net income and realized gain (loss) on sale of investments, and unrealized appreciation (depreciation) of investments. An unlimited number of the Fund's units may be issued, which are redeemable at the participants' option in accordance with the provisions of the Trust Agreement. Unrealized appreciation of investments as at December 31, 2005 was \$ 2,917,975 (2004 - \$1,714,566).

3. Operating expenses:

The Fund is responsible for the payment of its custodian fees and expenses, and other reasonable out-of-pocket expenses incurred in the administration of the Fund. Administration costs, including participant transfer costs, are incurred by the Investment Manager, and allocated to this and other funds on an equitable basis.

4. Income taxes:

The Fund is not subject to income taxes on its net taxable capital gains and its net income for the year if it allocates such gains and income (less any applicable loss carry forwards) to participants. The taxable income of the Fund is allocated annually to participants so as to eliminate any income taxes otherwise payable by the Fund.

5. Brokerage commissions:

Total brokerage commissions paid to dealers in connection with the portfolio transactions of the Fund for the year ended December 31, 2005 amounted to \$19,357 (2004 – \$14,224).

6. Concentration of unitholdings:

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