

**VECTOR INCOME TRUST FUND**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

February 27, 2004

**Auditors' Report**

**PricewaterhouseCoopers LLP**  
**Chartered Accountants**  
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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, 2003 and the statements of operations, and changes in net assets for the period from February 14, 2003, date of commencement, to December 31, 2003. 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, 2003 and the results of its operations and changes in its net assets for the period from February 14, 2003, date of commencement, to December 31, 2003 in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants  
Toronto, Ontario

# VECTOR INCOME TRUST FUND

## STATEMENT OF NET ASSETS

As at December 31		2003
<b>Assets</b>		
Investments, at market value	\$	6,994,566
Cash		70,256
Income receivable		55,429
		<u>7,120,251</u>
<b>Liabilities</b>		
Accrued expenses		<u>4,702</u>
Net assets representing participants' equity (Note 3)	\$	<u>7,115,549</u>
Net asset value per unit	\$	<u>10.89</u>
Investments, at average cost (amortized where applicable)	\$	<u>6,595,876</u>

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

Approved on behalf of the Investment Manager,  
Guardian Capital Inc.:

Director



Director



<u>Number of Shares/Units</u>	<u>Security</u>	<u>Average Cost</u>	<u>Market Value</u>
<b>Real Estate Investment Trust Units-cont'd.</b>			
15,000	IPC US Income Commercial Real Estate Investment Trust	\$ 159,730	\$ 160,500
10,000	Residential Equities Real Estate Investment Trust	156,626	151,300
15,000	Retirement Residences Real Estate Investment Trust	175,216	192,750
10,000	Riocan Real Estate Investment Trust	144,034	153,000
15,000	Summit Real Estate Investment Trust	259,707	272,400
		<u>1,774,567</u>	<u>1,850,100</u>
	<b>Total investments - 98.3%</b>	<b>6,595,876</b>	<b>6,994,566</b>
	<b>Other net assets - 1.7%</b>	<u>120,983</u>	<u>120,983</u>
	<b>Total net assets - 100.0%</b>	<u>\$ 6,716,859</u>	<u>\$ 7,115,549</u>

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

\* *Private Placement*

# VECTOR INCOME TRUST FUND

## STATEMENT OF OPERATIONS

Period from  
February 14, 2003,  
date of commencement,  
to December 31, 2003

<b>Investment income:</b>		
Interest	\$	3,873
Income from investment trust units		91,924
		95,797
<b>Operating expenses (Note 4):</b>		
Administration costs		1,284
Custodian fees		259
Audit fees		3,812
Professional fees		112
Goods and Services Tax		383
		5,850
Net investment income		89,947
<b>Realized and Unrealized Gain (Loss) on Investments</b>		
Proceeds from sale of investments		1,858,457
Cost of investments, beginning of period		-
Cost of investments purchased during the period		8,414,277
		8,414,277
Cost of investments, end of period		6,595,876
Cost of investments sold during the period		1,818,401
Gain on sale of investments		40,077
Loss on foreign currencies		(21)
Net realized gain on sale of investments		40,056
Increase (decrease) in unrealized appreciation (depreciation) of investments		398,690
Net realized and unrealized gain on investments		438,746
Increase in net assets from operations	\$	528,693

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

# VECTOR INCOME TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

### 1. Formation of Fund:

Vector Income Trust Fund was created by a Trust Agreement dated February 14, 2003 and commenced operations on that date.

### 2. 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 effect the reported amounts of assets, liabilities, income and expenses during the reporting period. 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) Investments not listed on any exchange are valued in the same manner based upon any available public quotation in common use or at a price estimated to be the true value thereof on such basis and in such manner as may be approved by the Investment Manager, Guardian Capital Inc.
- c) Private placements are valued at the lower of cost and the Investment Manager's best estimate of fair value.
- d) 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.

#### 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 noon rates of exchange at the year end. 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.

**3. 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, 2003 was \$398,690.

**4. 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.

**5. 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.

**6. Financial information summary:**

	<u>Period Ended December 31</u> <u>2003</u>
Earnings per unit (based on the weighted average number of units outstanding during the period):	
Net investment income	\$ 0.23
Realized gain on sale of investments	<u>0.10</u>
	<u>\$ 0.33</u>
Distributions per unit (based on the number of units outstanding on the dates of the distributions):	
Net investment income	\$ 0.14
Realized gain on sale of investments	<u>0.06</u>
	<u>\$ 0.20</u>

**7. 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.