Management's Responsibility Statement

The financial statements of Brompton Split Banc Corp. (the "Fund") have been prepared by management and approved by the Board of Directors of the Fund. The Fund is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Fund 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 Fund 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 Fund, 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 Split Banc Corp.
March 8, 2007

(Signed)

Craig T. Kikuchi
Chief Financial Officer
Brompton Split Banc Corp.

Auditors' Report to Shareholders

To the Shareholders of Brompton Split Banc Corp.:

We have audited the statement of investments of Brompton Split Banc Corp. (the "Fund") as at December 31, 2006, the statements of financial position as at December 31, 2006 and 2005 and the statements of operations and retained earnings, changes in shareholders' equity and cash flows for the year ended December 31, 2006 and the period from November 16, 2005 (commencement of operations) to December 31, 2005. 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, 2006, the financial position as at December 31, 2006 and 2005 and the results of its operations and retained earnings, changes in shareholders' equity and cash flows for the year ended December 31, 2006 and for the period from November 16, 2005 (commencement of operations) to December 31, 2005 in accordance with Canadian generally accepted accounting principles.

(Signed)

PricewaterhouseCoopers LLP
Chartered Accountants
Toronto, Ontario
March 8, 2007

Statements of Financial Position

As at December 31	2006	2005
Assets		
Investments, at market value	**$ 229,093,691**	$ 150,381,282
Cash and short-term investments	**36,031**	1,422,954
Income receivable	**895,835**	777,151
Deferred financing costs (note 9)	**—**	4,464
Total assets	**230,025,557**	152,585,851
Liabilities		
Accounts payable and accrued liabilities	**323,626**	609,550
Distributions payable to shareholders (note 5)	**1,721,719**	1,016,140
Retractions payable to shareholders	**19,202,869**	—
Loans payable (note 9)	**5,389,010**	—
Preferred shares (note 4)	**74,452,700**	61,350,000
Total liabilities	**101,089,924**	62,975,690
Shareholders' equity		
Class J shares (note 3)	**100**	100
Class A shares (note 3)	**105,588,770**	83,938,000
Retained earnings	**23,346,763**	5,672,061
Total shareholders' equity	**128,935,633**	89,610,161
Liabilities and shareholders' equity	**$ 230,025,557**	$ 152,585,851
Units outstanding (note 3)	**7,445,270**	6,135,000
Net asset value per unit	**$ 27.32**	$ 24.61
Net asset value per Preferred share	**$ 10.00**	$ 10.00
Net asset value per Class A share	**$ 17.32**	$ 14.61

Approved by the Board of Directors of Brompton Split Banc Corp.

(Signed)

Peter A. Braaten
Director

(Signed)

James W. Davie
Director

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

Statements of Operations and Retained Earnings

For the year/period ended December 31	2006	2005[1]
Income		
Dividends	$ 5,995,171	$ 775,291
Interest	48,152	63,587
Securities lending income (note 8)	818	—
	6,044,141	838,878
Expenses		
Management fees (note 6)	1,108,492	107,429
Service fees (note 6)	458,890	44,867
Audit fees	26,012	19,795
Director fees	40,000	10,000
Custodial fees	22,888	2,649
Shareholder reporting costs	23,512	32,620
Other administrative expenses	139,921	44,160
Interest and bank charges	136,733	536
	1,956,448	262,056
Net investment income before distributions	4,087,693	576,822
Distributions on Preferred shares (note 5)	(3,919,661)	(402,640)
Net investment income	168,032	174,182
Net change in unrealized gain on investments	28,962,018	6,418,129
Increase in net assets from operations	29,130,050	6,592,311
Retained earnings, beginning of year/period	5,672,061	—
Excess of stated value paid on redemption	(2,356,794)	—
Distributions on Class A shares (note 5)	(9,098,554)	(920,250)
Retained earnings, end of year/period	$ 23,346,763	$ 5,672,061
Increase in net assets from operations per Class A share[2]	$ 3.84	$ 1.09

(1) Period from November 16, 2005 (commencement of operations) to December 31, 2005.

(2) Based on weighted average number of shares outstanding for the year/period (note 3).

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

Statements of Cash Flows

For the year/period ended December 31	2006	2005[1]
Cash flows from operating activities:		
Increase in net assets from operations	$ 29,130,050	$ 6,592,311
Adjustments to reconcile net cash provided by (used in) operations:		
Net change in unrealized gain on investments	(28,962,018)	(6,418,129)
Amortization of deferred financing costs	36,341	536
Income receivable	(118,684)	(777,151)
Increase in distributions payable to Preferred shareholders	574,552	402,640
Increase (decrease) in accounts payable and accrued liabilities	(285,924)	609,550
Purchase of investments (note 7)	(49,750,391)	(143,963,153)
Cash used in operating activities	(49,376,074)	(143,553,396)
Cash flows from financing activities:		
Proceeds from issuance of Class J shares	—	100
Proceeds from issuance of Class A shares (note 3)	32,311,203	92,025,000
Agents' fees and issuance costs (note 3)	(780,728)	(8,087,000)
Deferred financing costs paid	(31,877)	(5,000)
Proceeds from issuance of Preferred shares	20,069,070	61,350,000
Increase in loan payable	5,389,010	—
Distributions paid to Class A shareholders (note 5)	(8,967,527)	(306,750)
Cash provided by financing activities	47,989,151	144,976,350
Net increase (decrease) in cash and short-term investments	(1,386,923)	1,422,954
Cash and short-term investments, beginning of year/period	1,422,954	—
Cash and short-term investments, end of year/period	$ 36,031	$ 1,422,954
Supplemental information:		
Interest paid	$ 89,583	$ 536

[1] Period from November 16, 2005 (commencement of operations) to December 31, 2005.

Statements of Changes in Shareholders' Equity

For the year/period ended December 31	2006	2005[1]
Shareholders' equity, beginning of year/period	$ 89,610,161	$ —
Operations:		
Increase in net assets from operations	29,130,050	6,592,311
Shareholder transactions:		
Distributions to shareholders (note 5)		
Return of capital	(9,098,554)	(920,250)
Total	(9,098,554)	(920,250)
Proceeds from issuance of Class A shares, net (note 3)	31,530,475	83,938,000
Proceeds from issuance of Class J shares (note 3)	—	100
Retraction of Class A shares	(12,236,499)	—
Net increase in shareholders' equity	39,325,472	89,610,161
Shareholders' equity, end of year/period	$ 128,935,633	$ 89,610,161

[1] Period from November 16, 2005 (commencement of operations) to December 31, 2005.

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

Statement of Investments

As at December 31, 2006		Cost	Market Value
No. of Shares			
409,050	Canadian Imperial Bank of Commerce	$ 31,341,899	$ 40,209,616
717,970	Royal Bank of Canada	31,730,039	39,847,335
749,900	Bank of Nova Scotia	33,627,761	39,069,790
541,420	Toronto-Dominion Bank	32,226,633	37,747,802
526,900	Bank of Montreal	31,474,803	36,356,100
544,700	National Bank of Canada	33,312,409	35,863,048
	Total	**$ 193,713,544**	**$ 229,093,691**

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

Notes to the Financial Statements

December 31, 2006 and 2005

1. OPERATIONS

Brompton Split Banc Corp. (the "Fund") is a mutual fund corporation established under the laws of the Province of Ontario on September 14, 2005. Brompton Funds Management Limited (the "Manager") is responsible for managing the affairs of the Fund. Brompton Capital Advisors Inc. manages the Fund's portfolio and Highstreet Asset Management Inc. is the option advisor. 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 November 16, 2005.

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 period 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, then these investments are valued using an average of the latest bid and ask prices. Short-term investments are valued at cost which, when taken together with accrued interest income thereon, is an approximation of their market value. Listed options are valued at market values as reported on recognized exchanges.

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. Dividend income is recognized on the ex-dividend date. Net realized gains or losses on investments include net realized gains or losses from foreign currency changes.

Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected as an asset or liability, respectively, in the Statement of Financial Position and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Any difference resulting from revaluation is treated as an unrealized gain (loss). Gains or losses realized upon expiration, repurchase or exercise of the options are included in net realized gain (loss) on options.

c) **Income Taxes**

The Fund is a mutual fund corporation as defined in the Income Tax Act (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Fund is generally subject to tax of $33^1/_3$% under Part IV of the Act on taxable dividends received from Canadian corporations in the year. This tax is fully refundable upon payment of sufficient dividends.

The Fund is also a financial intermediary corporation as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid by the Fund on taxable preferred shares as defined in the Act.

Given the investment and dividend policy of the Fund and taking into account the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, the Fund does not expect to be subject to any appreciable amount of non-refundable Canadian income tax. Accordingly, no income tax provision has been recorded.

d) **Foreign Exchange**

The market values 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 value of the Fund's financial instruments, which are composed of cash and short-term investments, dividends and interest receivable, and accounts payable and accrued liabilities, approximates their book value.

3. SHARE CAPITAL

Class J Shares

The Fund is authorized to issue an unlimited number of Class J shares.

As of December 31, 2006, 100 Class J shares are outstanding.

Class J shares are not entitled to receive dividends but are entitled to one vote per share. The Class J shares are redeemable and retractable at a price of $1.00 per share. The Class J shares rank subsequent to both the Preferred shares and the Class A shares with respect to distributions on the dissolution, liquidation or winding-up of the Fund.

Class A Shares

Authorized
The Fund is authorized to issue an unlimited number of Class A shares.

Issued

	2006		2005[1]	
	Number of Units	**Amount**	Number of Units	Amount
Class A shares, beginning of year/period	6,135,000	$ 83,938,000	—	$ —
Initial public offering, net	—	—	5,800,000	79,315,000
Exercise of over-allotment option	—	—	335,000	4,623,000
Exercise of rights	2,006,907	31,530,475	—	—
Annual retraction	(696,637)	(9,879,705)	—	—
Class A shares, end of year/period	7,445,270	$ 105,588,770	6,135,000	$ 83,938,000

[1] Period from November 16, 2005 (commencement of operations) to December 31, 2005.

On March 13, 2006, the Fund issued one right for each Class A share held by Class A shareholders. Each right entitled the holder to purchase a unit consisting of one Class A share and one Preferred share at a price of $26.10 per unit on or before April 10, 2006. On April 10, 2006, 2,006,907 rights were exercised and the same number of Class A shares were issued for proceeds, net of solicitation fees and issuance costs, of $31,530,475.

The weighted average number of Class A shares outstanding for the period ended December 31, 2006 was 7,578,937.

The Fund intends to pay monthly, non-cumulative distributions to the holders of Class A shares. No distributions will be paid on Class A shares if (i) distributions payable on the Preferred shares are in arrears, or (ii) after the payment of the distributions by the Fund, the net asset value ("NAV") per unit would be less than $15.00. A unit means a notional unit consisting of one Preferred share and one Class A share. The Class A shares rank subsequent to the Preferred shares but in priority to the Class J shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding-up of the Fund. Each Class A share is entitled to one vote on certain shareholder matters.

All Class A shares outstanding on November 30, 2012 will be redeemed by the Fund on that date. The redemption price payable by the Fund for a Class A share on that date will be equal to the greater of (i) the NAV per unit on that date minus the sum of $10.00 plus any accrued and unpaid distributions on the Preferred shares, and (ii) nil.

Class A shares may be surrendered at any time for retraction by the Fund but at least 10 business days prior to the second last business day of a month ("Retraction Date"). Holders of Class A shares whose Class A shares are surrendered for retraction will be entitled to receive a price per Class A share equal to 96% of the difference between (i) the NAV per unit determined as of the relevant Retraction Date, and (ii) the cost to the Fund of the purchase of a Preferred share for cancellation. The cost of the purchase of a Preferred share includes the purchase price of the Preferred share, commission and such other costs, if any, related to the liquidation of any portion of the Fund's portfolio required to fund such purchase. If the NAV per unit is less than $10.00, the retraction price of a Class A share will be nil.

A holder of Class A shares may concurrently retract an equal number of Class A and Preferred shares on the December Retraction Date of each year, commencing on the December 2006 Retraction Date, at a price per unit equal to the NAV per unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Class A shares and the Preferred shares must both be surrendered for retraction at least 10 business days prior to the December Retraction Date.

On December 29, 2006, 696,637 Class A shares were retracted at a price of $17.57 per unit.

4. PREFERRED SHARES

Authorized
The Fund is authorized to issue an unlimited number of Preferred shares.

Issued

	2006		2005[1]	
	Number of Units	**Amount**	Number of Units	Amount
Preferred shares, beginning of year/period	6,135,000	$ 61,350,000	—	$ —
Initial public offering	—	—	5,800,000	58,000,000
Exercise of over-allotment option	—	—	335,000	3,350,000
Exercise of rights	2,006,907	20,069,070	—	—
Annual retraction	(696,637)	(6,966,370)	—	—
Preferred shares, end of year/period	7,445,270	$ 74,452,700	6,135,000	$ 61,350,000

[1] Period from November 16, 2005 (commencement of operations) to December 31, 2005.

Notes to the Financial Statements (continued)

On April 10, 2006, 2,006,907 rights were exercised and the same number of Preferred shares were issued for proceeds of $20,069,070.

Holders of Preferred shares are entitled to receive fixed, cumulative preferential quarterly cash distributions of $0.13125 per share. The Preferred shares rank in priority to the Class A shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation, or winding-up of the Fund. Each Preferred share is entitled to one vote on certain shareholder matters.

All Preferred shares outstanding on November 30, 2012 will be redeemed by the Fund on that date. The redemption price payable by the Fund for a Preferred share will be equal to the lesser of (i) $10.00 plus any accrued and unpaid distributions thereon; and (ii) the NAV of the Fund on that date divided by the number of Preferred shares then outstanding.

Preferred shares may be surrendered at any time for retraction by the Fund but at least 10 business days prior to the second last business day of a month ("Retraction Date"). Shareholders whose Preferred shares are retracted will be entitled to receive a price per share equal to 96% of the lesser of (i) the NAV per unit determined as of the relevant Retraction Date less the cost to the Fund of the purchase of a Class A share for cancellation; and (ii) $10.00. The cost of the purchase of a Class A share will include the purchase price of the Class A share, commission and other costs, if any, related to the liquidation of any portion of the portfolio required to fund such purchase.

A holder of Preferred shares may also concurrently retract an equal number of Preferred shares and Class A shares on the December Retraction Date of each year, commencing on the December 2006 Retraction Date, at a price per unit equal to the NAV per unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Preferred shares and Class A shares must both be surrendered for retraction at least 10 business days prior to the December Retraction Date.

The Preferred shares have been presented as financial liabilities in the financial statements in accordance with Section 3860 of the CICA Handbook.

On December 29, 2006, 696,637 Preferred shares were retracted at a price of $10 per unit.

5. DISTRIBUTIONS TO SHAREHOLDERS

Distributions are made on a quarterly basis on the Preferred shares and on a monthly basis on the Class A shares. Distributions are payable no later than the tenth business day of the following month.

For the period ended December 31, 2006, the Fund declared distributions of $1.20 (2005 – $0.15) per Class A share and $0.525 per Preferred share, which amounted to $9,098,554 and $3,919,661, respectively.

6. 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 0.55% per annum of the net asset value of the Fund, plus applicable taxes. The net asset value of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. For these purposes, the Preferred shares are not considered a liability of the Fund. The Manager is responsible for paying fees to Brompton Capital Advisors Inc., the advisor for the Fund, and to Highstreet Asset Management Inc., the option advisor for the Fund. These fees are calculated and payable monthly. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the net asset value of the Class A shares. The service fee is in turn paid by the Manager to investment dealers in proportion to the number of shares held by clients of each dealer at the end of each calendar quarter.

7. INVESTMENT TRANSACTIONS

Investment transactions for the year/period ended December 31 were as follows:

	2006	2005[1]
Proceeds from sale of investments	$ —	$ —
Less cost of investments sold:		
Investments at cost, beginning of year/period	**143,963,153**	—
Investments purchased during the year/period	**49,750,391**	143,963,153
Investments at cost, end of year/period	**(193,713,544)**	(143,963,153)
Cost of investments sold during the year/period	—	—
Net realized gain on investments	$ —	$ —

[1] Period from November 16, 2005 (commencement of operations) to December 31, 2005.

Brokerage commissions on investments purchased and sold during the year ended December 31, 2006 amounted to $21,397 (2005 – $66,689). For the year/period ended December 31, 2006 and 2005, there were no soft dollar amounts paid.

8. SECURITIES LENDING

The Fund entered into a securities lending program in October 2006 with its custodian, RBC Dexia Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or by the United States government or its agencies, or a permitted supranational agency as defined in National Instrument 81-102. The market values of the securities on loan and the related collateral at December 31, 2006, were $69.2 million and $80.0 million, respectively.

9. LOANS PAYABLE

Pursuant to an agreement with a Canadian chartered bank, the Fund has a 364-day revolving credit facility. The revolving credit facility provides for maximum borrowings of $7.5 million at either the prime rate of interest or the bankers' acceptance rate plus a fixed percentage. The credit facility is secured by a first-priority security interest over all of the Fund's assets. There were $5.4 million borrowings under this facility at December 31, 2006 and no amounts were borrowed during the period from November 16 (commencement of operations) to December 31, 2005.

During the year ended December 31, 2006, the minimum and maximum amounts of borrowings were nil and $5.4 million, respectively.

Costs incurred to establish the credit facility and renewal fees are deferred and amortized over the term of the facility. For the period ended December 31, 2006, the Fund recorded amortization of these costs in the amount of $36,341.

10. INCOME TAXES

	2006	2005[1]
Future income tax assets:		
Losses carried forward	$ **764,642**	$ 293,851
Share issue expenses	**3,501,999**	3,278,843
Future income tax assets	**4,266,641**	3,572,694
Less: valuation allowance	**(4,266,641)**	(3,572,694)
Net future income taxes	$ **—**	$ —

[1] Period from November 16, 2005 (commencement of operations) to December 31, 2005.

As at December 31, 2006, the Fund has non-capital loss carry-forwards for income tax purposes of $1,820,577 expiring 2026 (2005 – $681,473 expiring 2015).

The Fund is subject to Ontario capital tax. No such taxes were payable by the Fund in 2006.

11. ADOPTION OF FUTURE ACCOUNTING STANDARDS

The Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") recently issued a new suite of financial reporting standards that address the accounting and disclosure for financial instruments. Of particular relevance to investment funds are changes outlined in CICA Handbook Section 3855: Financial Instruments – Recognition and Measurement. The new financial reporting standards for financial instruments are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. These standards will change the way in which investments are measured for financial statement purposes and will result in differences between the net asset value per unit ("NAVPU") presented in the financial statements and the NAVPU that is published weekly. The Fund has a financial year ending December 31, 2006, and as such, these changes will not be reflected until the interim financial statements are prepared in June 2007. Such differences will primarily result from marketable securities being valued using bid prices for financial statements and closing prices for the weekly published NAVPU.