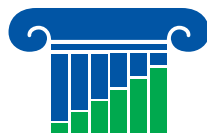


**SBC, SBC.PR.A**

Equal weight portfolio of the equity securities of the "Big Six" Canadian banks, using a split share structure.

The Preferred shares are rated Pfd-2 by DBRS.



**BROMPTON SPLIT BANC CORP.**



2007  
INTERIM  
REPORT

### Management Report of Fund Performance

August 15, 2007

This interim management report of fund performance for Brompton Split Banc Corp. (the "Fund") contains financial highlights but does not contain the interim financial statements. The interim financial statements follow this report.

Shareholders 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 Brompton Funds, Suite 2930, P.O. Box 793, Bay Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario, M5J 2T3.

### The Fund

Brompton Split Banc Corp. is a mutual fund corporation managed by Brompton Funds Management Limited (the "Manager"). The Fund has Class A and Preferred shares outstanding which trade on the Toronto Stock Exchange ("TSX") under the symbols SBC and SBC.PR.A, respectively. The Class A and Preferred shares are RRSP, DPSP, RRIF and RESP eligible. The Preferred shares are rated Pfd-2 by Dominion Bond Rating Service Limited. The Class A and Preferred shares are scheduled to be redeemed by the Fund on November 30, 2012.

### Investment Objectives and Strategies

The Fund's investment objectives are:

- (i) to provide holders of Preferred shares with fixed, cumulative preferential quarterly cash distributions in the amount of \$0.13125 per share and to return the original issue price to holders of the shares on November 30, 2012; and
- (ii) to provide holders of Class A shares with regular monthly cash distributions targeted to be \$0.10 per share and with the opportunity for growth in net asset value per share.

To achieve these objectives, the Fund invests in a common share portfolio of the following six Canadian banks on an equally weighted basis at the time of investment and on rebalancing:

Bank of Montreal	Royal Bank of Canada
Canadian Imperial Bank of Commerce	The Bank of Nova Scotia
National Bank of Canada	The Toronto-Dominion Bank

These banks have a history of strong earnings growth, which has resulted in increases in their dividend rates and capital appreciation.

Highstreet Asset Management Inc. (“Highstreet”) is the Fund’s advisor and is responsible for investing the common share portfolio. The portfolio is rebalanced at least annually to adjust for changes in the market value of investments and to reflect the impact of a merger or acquisition affecting one or more of the banks. In addition, the Fund may sell investments for working capital purposes or replace investments with proceeds from the exercise of covered call options previously written. Highstreet is also the option advisor to the Fund and has the discretion to write covered call options and cash covered put options in respect of the portfolio in order to generate additional distributable income for the Fund.

## Risks

Risks associated with an investment in the shares of the Fund are as discussed in the Fund’s 2006 annual information form, which is available on the Fund’s website at [www.bromptongroup.com](http://www.bromptongroup.com) or on SEDAR at [www.sedar.com](http://www.sedar.com). There were no changes to the Fund over the period that materially affected the risks associated with an investment in the units of the Fund.

## Recent Developments

### Appointment of Independent Review Committee

On April 23, 2007, Brompton Funds Management Limited, the Manager of the Fund, appointed the initial members of the Fund’s Independent Review Committee (“IRC”). This committee was established in accordance with National Instrument (“NI”) 81-107, *Independent Review Committee for Investment Funds*. The role of the IRC is to oversee conflicts of interest faced by the Manager in the operation of the Fund. The three members of the IRC are Mr. James W. Davie, Mr. Arthur R.A. Scace and Mr. Ken S. Woolner. Each member was formerly an independent director of the Manager and the Fund.

With the appointment of the IRC, the board of directors of the Manager and the Fund was changed to comprise Mr. Peter A. Braaten, Mr. Mark A. Caranci and Mr. Raymond R. Pether. Mr. P. Michael Nedham, who was a director of the Manager and the Fund, resigned his position. Mr. Caranci was also appointed Chief Executive Officer of the Manager and the Fund on April 23, 2007, taking the place of Mr. Pether who resigned from such position. Mr. Pether continues to serve in other senior capacities within the Brompton Group.

### Adoption of Accounting Standard in the June 30, 2007 Financial Statements

In April 2005, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3855: “Financial Instruments – Recognition and Measurement.” This standard, which applies to fiscal years beginning after September 30, 2006, has caused the Fund to change the way it determines the value of securities it holds in its portfolio for financial statement purposes. In particular, securities traded in an active market are valued using the last available bid price rather than the closing price for exchange-traded securities or at the average of the latest bid and ask prices for securities traded over-the-counter. The new standard has been adopted in the June 30, 2007 financial statements and has been applied retroactively without restatement of prior periods.

Pursuant to requests from the investment fund industry, the Canadian Securities Administrators (“CSA”) exempted investment funds, including the Fund, from applying CICA Section 3855 in the calculation of its weekly net asset values (“Published NAV”) and the amount of the net asset value for redemption purposes until September 30, 2007. The exemption was requested to allow further study of whether the calculation and use of net asset value in accordance with Canadian GAAP (“GAAP NAV”) are appropriate for purposes other than financial statements. As a result of the exemption, the Published NAVs of the Fund are not the same as the GAAP NAVs. As at June 30, 2007, the Published NAV per Class A share was \$16.58 and the GAAP NAV per Class A share was \$16.57. A reconciliation is also provided in the note to the financial statements.

Depending on the outcome of such review, the method by which net asset value is calculated may result in a change to the Published NAV and retraction value of the Fund.

*In accordance with investment fund industry practice, all figures presented in this management report of fund performance are based on the Fund’s Published NAV, except for the figures presented in the Net Asset Value per Unit table, which can be found under Financial Highlights. In accordance with NI 81-106, the figures in this table must be derived from the financial statements (GAAP NAV).*

## Results of Operations

### Distributions

During the six months ended June 30, 2007, the Fund distributed \$0.60 per Class A share (2006 – \$0.60) and \$0.2625 per Preferred share (2006 – \$0.2625). Both of these amounts met with the Fund’s investment objectives. Since inception, in November 2005, the Fund has distributed \$1.95 per Class A share and \$0.9844 per Preferred share.

In 2006 all of the Class A share distributions were classified as a return of capital and all distributions on Preferred shares were dividend income. Based on the results of operations for the first six months of 2007, it is currently estimated that approximately 84% and 16% of Class A share distributions will be a return of capital and dividend income, respectively, and 100% of Preferred share distributions will be classified as dividends. The final breakdowns for 2007 may differ significantly from the percentages as they will be affected by capital gains on losses that may be realized in the second half of 2007.

### Net Asset Value

As a result of a decline in the Fund's investment portfolio the net asset value per Class A share decreased over the six months of \$0.74 per share, or 4.3%, from \$17.32 to \$16.58. 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 net asset value of the Fund decreased from \$203.4 million at the end of 2006 to \$195.4 million on June 30, 2007.

### Investment Portfolio

As of June 30, 2007, the Fund's investments included Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, The Bank of Nova Scotia, and The Toronto-Dominion Bank. During the six months ended June 30, 2007, the option advisor did not write any options on the Fund's portfolio securities because it did not believe the premiums that were available on options throughout the period adequately compensated for the upside that the Fund would have to forego. The Fund recorded a net loss (realized and unrealized) of \$1.6 million.

### Liquidity and Capital Resources

As of June 30, 2007, the Fund had total borrowings outstanding of \$4.8 million under its 364-day revolving credit facility, which represented 2.3% of total assets or 2.4% of net assets. The revolving credit facility is used for working capital purposes and is repaid at the time the portfolio is rebalanced.

To provide liquidity, the Class A shares and Preferred shares of the Fund are listed on the TSX under the symbols SBC and SBC.PR.A, respectively. Over the period, Class A shares and Preferred shares traded at an average discount to their combined net asset value per share of 1.7%. Investors may also retract their shares in accordance with their retraction provisions.

## 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 0.55% per annum of the Published NAV of the Fund. The Manager is responsible for paying the fees of Brompton Capital Advisors Inc., the advisor, and Highstreet, the option advisor. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Published NAV of the Class A shares. The service fee is in turn paid by the Manager to the investment dealers based on the proportionate number of Class A shares held by clients of such dealers at the end of each calendar quarter.

During the period, management and service fees amounted to \$0.6 million and \$0.3 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 and unaudited interim financial statements. *The information in 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 share.* The increase (decrease) in net assets from operations is based on average shares outstanding during the period, and all other numbers are based on actual shares outstanding at the relevant point in time.

### Net Asset Value per Class A Share

	For the Six Months Ended June 30, 2007	For the Years Ended December 31	
		2006	2005
Net asset value, beginning of period/year <sup>(2)(3)</sup>	\$ 17.31	\$ 14.61	\$ 13.68
Increase (decrease) from operations: <sup>(1)(4)</sup>			
Total revenue	0.46	0.80	0.14
Total expense	(0.14)	(0.26)	(0.04)
Preferred share distributions	(0.26)	(0.52)	(0.07)
Realized gain for the period/year	0.55	—	—
Unrealized gain for the period/year	(0.77)	3.82	1.06
<b>Total increase (decrease) in net assets from operations</b>	<b>\$ (0.16)</b>	<b>\$ 3.84</b>	<b>\$ 1.09</b>
Distributions to Class A shareholders: <sup>(1)(3)</sup>			
Return of capital	\$ N/A	\$ 1.20	\$ 0.15
<b>Total distributions</b>	<b>\$ 0.60</b>	<b>\$ 1.20</b>	<b>\$ 0.15</b>
<b>Net asset value, end of period/year<sup>(2)(3)</sup></b>	<b>\$ 16.57</b>	<b>\$ 17.32</b>	<b>\$ 14.61</b>

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

<sup>(2)</sup> The net asset values per share at the beginning and at the end of the period for 2007 are the GAAP NAVS. The net asset value per share for prior periods is based on the prior period financial statements and has not been adjusted for the new accounting standards adopted in 2007.

<sup>(3)</sup> Net asset values per Class A share and distributions per Class A share are based on the actual number of Class A shares outstanding at the relevant time.

<sup>(4)</sup> The increase (decrease) in net assets from operations per Class A share is based on the weighted average number of Class A shares outstanding over the fiscal period.

**Ratios and Supplemental Data (based on Published NAV)**

	June 30, 2007	December 31	
		2006	2005
Net assets (in 000s) – including Preferred shares	\$ 195,391	\$ 203,388	\$ 150,960
Number of Class A shares outstanding (in 000s)	7,351	7,445	6,135
Management expense ratio (“MER”) <sup>(1)(2)</sup>	2.96%	3.09%	8.73%
MER excluding distributions on Preferred shares and issuance costs <sup>(1)(3)</sup>	0.96%	0.96%	1.04%
Portfolio turnover rate <sup>(4)</sup>	—	—	N/A
Trading expense ratio <sup>(5)</sup>	0.01%	0.02%	0.05%
Closing market price – Preferred shares	\$ 10.50	\$ 10.52	\$ 10.76
Closing market price – Class A shares	\$ 14.93	\$ 16.19	\$ 15.50

<sup>(1)</sup> Annualized for the period from November 16, 2005 (commencement of operations) to December 31, 2005.

<sup>(2)</sup> Management expense ratio is based on the requirements of NI 81-106 and includes the total expenses of the Fund for the stated period, including distributions on Preferred shares and issuance costs but excluding brokerage commission on securities transactions, and is expressed as an annualized percentage of the average net assets of the Fund (includes Class A and Preferred shares) over the period.

<sup>(3)</sup> MER, excluding interest expense and issuance costs, has been presented separately as it expresses only the ongoing management and administrative expenses of the Fund as a percentage of average net assets.

<sup>(4)</sup> 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 a 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.

<sup>(5)</sup> The trading expense ratio represents total commissions expressed as an annualized percentage of daily average net assets of the Fund during the period.

**Expense Ratio**

The MER of the Fund decreased in 2007 to 2.96% from 3.09% in 2006. In each year, the ratio was exaggerated by the inclusion of distributions paid on the Preferred shares and the costs of issuance of both the Class A and the Preferred shares. Issue costs were incurred in respect of the rights offering in 2006. The MER, excluding these items, remained at 0.96% in 2006 and 2007. This latter ratio is more representative of the ongoing efficiency of the administration of the Fund.

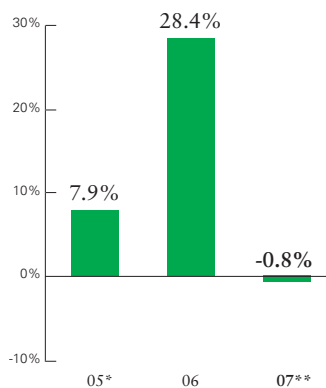
**Portfolio Turnover Rate**

In January, the Fund sold investments to fund the 2006 annual redemption and at the same time rebalanced the portfolio. This rebalancing and funding only required the sale of investments and as a result the portfolio turnover rate is nil.

**Past Performance**

The following chart and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on the Published NAV per Class A share and assumes that distributions on the Class A shares made by the Fund in the periods shown were reinvested (at Published NAV per Class A share) in additional Class A shares of the Fund.

The bar chart shows the Fund’s compound return for the six months ended June 30, 2007 and for each year since inception. The chart shows, in percentage terms, how an investment held in a Class A share at inception would have increased or decreased by the last day of the fiscal year.

**Year-by-Year Returns**

\* Period from November 16, 2005 to December 31, 2005.

\*\* Period from January 1, 2007 to June 30, 2007.

The following table shows the Fund's compound return on a Class A share for the six months ended June 30, 2007 and annual compound return since inception compared with the S&P/TSX Capped Financials Index ("Financials Index"). The Financials Index is derived from the S&P/TSX Composite Index based on the financials sector of the Global Industry Classification Standards. The Financials Index is calculated without the burden of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

### Annual Compound Returns

	Six Months Ended June 30, 2007	Since Inception <sup>(1)</sup>
Brompton Split Banc Corp. – Class A shares <sup>(2)</sup>	(0.8%)	21.7%
S&P/TSX Capped Financials Index	3.2%	14.5%

<sup>(1)</sup> Period from November 16, 2005 (commencement of operations) to June 30, 2007.

<sup>(2)</sup> Based on the Published NAV per Class A share and assuming that distributions on the Class A shares made by the Fund in the periods shown were reinvested (at Published NAV per Class A share) in additional Class A shares of the Fund.

The Fund's Class A shares have generated a compound annual return of 21.7% based on Published NAV since inception, but had a negative return of 0.8% over the first six months of 2007. Since inception, the Class A shares have outperformed the Financials Index by 7.2% per annum, largely due to the leverage provided by the Preferred shares, as any return on the portfolio greater than the cost of the Preferred shares' coupon of 5.25% will provide additional positive returns for the Fund. During the past six months, the Fund has underperformed the Financials Index as the cost of leverage had a negative effect on performance. In addition, while the portfolio of six banks held by the Fund has outperformed the Financials Index since inception, it has underperformed during the past six months.

## Summary of Investment Portfolio

As at June 30, 2007

Total Published NAV of the Fund <sup>(1)</sup>	\$195,390,946
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Portfolio Composition	% of Portfolio	% of Published NAV
Financials	100.0%	103.5%
Total investment portfolio	100.0%	103.5%
Other net liabilities		(3.5%)
<b>Total Published NAV</b>		<b>100.0%</b>

Holdings	% of Portfolio	% of Published NAV
The Toronto-Dominion Bank	17.6%	18.2%
Royal Bank of Canada	16.9%	17.4%
The Bank of Nova Scotia	16.8%	17.3%
Bank of Montreal	16.7%	17.3%
Canadian Imperial Bank of Commerce	16.5%	17.0%
National Bank of Canada	15.7%	16.2%

<sup>(1)</sup> Net asset value of the Fund includes the value of the Preferred shares.

*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.*

## Option Advisor

### **Highstreet Asset Management Inc.**

Highstreet Asset Management is a quantitatively oriented investment manager with over \$5 billion in assets under management. Highstreet has significant experience in the derivatives and options markets. Highstreet uses its quantitative approach to selectively write covered call and put options from time to time to enhance potential returns.

## 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 on 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.*

## Statements of Financial Position (Unaudited)

As at	June 30, 2007	Dec. 31, 2006
<b>Assets</b>		
Investments, at market value	\$ 202,116,187	\$ 229,093,691
Cash and short-term investments	32,306	36,031
Income receivable	873,008	895,835
<b>Total assets</b>	<b>203,021,501</b>	<b>230,025,557</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	269,032	323,626
Distributions payable to shareholders (note 6)	1,699,889	1,721,719
Retractions payable to shareholders	997,870	19,202,861
Preferred shares (note 5)	73,508,700	74,452,700
Loans payable (note 10)	4,750,000	5,389,010
<b>Total liabilities</b>	<b>81,225,491</b>	<b>101,089,924</b>
<b>Shareholders' equity</b>		
Class A shares (note 4)	104,249,989	105,588,770
Class J shares (note 4)	100	100
Retained earnings	17,545,921	23,346,763
<b>Total shareholders' equity</b>	<b>121,796,010</b>	<b>128,935,633</b>
<b>Liabilities and shareholders' equity</b>	<b>\$ 203,021,501</b>	<b>\$ 223,059,187</b>
<b>Units outstanding (note 4)</b>	<b>7,350,870</b>	<b>7,445,270</b>
Net asset value per unit	\$ 26.57	\$ 27.32
Net asset value per Preferred share	\$ 10.00	\$ 10.00
Net asset value per Class A share	\$ 16.57	\$ 17.32

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

## Statements of Operations and Retained Earnings (Deficit) (Unaudited)

For the six months ended June 30	2007	2006 <sup>(1)</sup>
<b>Income</b>		
Dividends	\$ 3,382,506	\$ 2,789,699
Securities lending income (note 9)	18,995	—
Interest income	6,083	47,727
	<u>3,407,584</u>	<u>2,837,426</u>
<b>Expenses</b>		
Management fees (note 7)	577,086	512,100
Service fees (note 7)	266,856	203,717
Audit fees	15,882	10,608
Independent review committee and director fees	21,324	19,836
Custodial fees	10,716	8,981
Legal fees	2,751	—
Shareholder reporting costs	7,064	11,825
Other administrative expenses	55,177	60,576
Interest and bank charges (note 10)	61,233	27,848
	<u>1,018,089</u>	<u>855,491</u>
Net investment income before distributions	2,389,495	1,981,935
Distributions on Preferred shares (note 6)	(1,940,287)	(1,873,844)
Net investment income	449,208	108,091
Net realized gain on sale of investments (note 8)	4,116,529	—
Transaction costs (note 2)	(6,883)	—
Net change in unrealized loss on investments	(5,748,086)	(10,491,369)
Decrease in net assets from operations	(1,189,232)	(10,383,278)
Retained earnings, beginning of period (note 3)	23,308,633	5,672,061
Excess of stated value paid on repurchase of units	(121,708)	—
Distributions on Class A shares (note 6)	(4,451,772)	(4,283,073)
Retained earnings (deficit), end of period	\$ 17,545,921	\$ (8,994,290)
Decrease in net assets from operations per Class A share <sup>(2)</sup>	\$ (0.16)	\$ (1.47)

<sup>(1)</sup> The comparative figures for the period ended June 30, 2006 have not been reviewed by the Fund's external auditors.

<sup>(2)</sup> Based on the weighted average number of Class A shares outstanding for the period (note 4).

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

## Statements of Cash Flows (Unaudited)

For the six months ended June 30	2007	2006 <sup>(1)</sup>
<b>Cash flows from operating activities:</b>		
Decrease in net assets from operations	\$ (1,189,232)	\$ (10,383,278)
Adjustments to reconcile net cash provided by (used in) operations:		
Net realized gain on sale of investments (note 8)	(4,116,529)	—
Net change in unrealized loss on investments	5,748,086	10,491,369
Amortization of deferred financing costs	—	21,752
Decrease (increase) in income receivable	22,827	(312,220)
Decrease in distributions payable to Preferred shareholders	(12,390)	—
Decrease in accounts payable and accrued liabilities	(54,594)	(87,530)
Purchase of investments (note 8)	—	(49,750,391)
Proceeds from sale of investments (note 8)	25,307,817	—
<b>Cash provided by (used in) operating activities</b>	<b>25,705,985</b>	<b>(50,020,298)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of Class A shares (note 4)	—	32,311,203
Proceeds from issuance of Preferred shares	—	20,069,070
Agents fees and issuance costs (note 4)	83,936	(780,728)
Deferred financing costs paid	—	(31,877)
Amounts paid for retraction of Class A shares	(12,717,852)	—
Amounts paid for retraction of Preferred shares	(7,975,572)	—
Increase (decrease) in loans payable	(639,010)	450,000
Distributions paid to Class A shareholders (note 6)	(4,461,212)	(3,416,397)
<b>Cash provided by (used in) financing activities</b>	<b>(25,709,710)</b>	<b>48,601,271</b>
Net decrease in cash and short-term investments	(3,725)	(1,419,027)
Cash and short-term investments, beginning of period	36,031	1,422,954
<b>Cash and short-term investments, end of period</b>	<b>\$ 32,306</b>	<b>\$ 3,927</b>

## Statements of Changes in Shareholders' Equity (Unaudited)

For the six months ended June 30	2007	2006 <sup>(1)</sup>
<b>Shareholders' equity, beginning of period (note 3)</b>	<b>\$ 128,897,503</b>	<b>\$ 89,610,161</b>
<b>Operations:</b>		
Decrease in net assets from operations	(1,189,232)	(10,383,278)
<b>Shareholder transactions:</b>		
Distributions to shareholders (note 6)	(4,451,772)	(4,283,073)
Proceeds from issuance of Class A shares (note 4)	83,936	31,530,475
Retraction of Class A shares	(1,544,425)	—
Net increase (decrease) in shareholders' equity	(7,101,493)	16,864,124
<b>Shareholders' equity, end of period</b>	<b>\$ 121,796,010</b>	<b>\$ 106,474,285</b>

<sup>(1)</sup> The comparative figures for the period ended June 30, 2006 have not been reviewed by the Fund's external auditors.

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

## Statement of Investments (Unaudited)

As at June 30, 2007		Cost	Market Value
<b>No. of Shares</b>	<b>Canadian Common Stocks</b>		
492,900	Bank of Montreal	\$ 29,443,785	\$ 33,714,360
652,900	The Bank of Nova Scotia	29,277,990	33,872,452
346,550	Canadian Imperial Bank of Commerce	26,553,074	33,185,628
516,800	National Bank of Canada	31,606,120	31,716,016
601,870	Royal Bank of Canada	26,599,104	34,077,879
487,920	The Toronto-Dominion Bank	29,042,183	35,549,852
		<b>172,522,256</b>	<b>202,116,187</b>
	<b>Embedded Broker Commission (note 2)</b>	<b>(42,367)</b>	
	<b>Total</b>	<b>\$ 172,479,889</b>	<b>\$ 202,116,187</b>

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

## Notes to the Financial Statements (Unaudited)

June 30, 2007

### 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. Highstreet Asset Management Inc. manages the Fund’s portfolio and 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 (“GAAP”) and should be read in conjunction with the most recent audited financial statement at December 31, 2006. The significant accounting policies used for preparing these unaudited interim financial statements are consistent with those used in preparing the audited annual financial statements, except as described below.

#### Adoption of New Accounting Standards

##### *Section 3855 – Financial Instruments – Recognition and Measurement*

On April 1, 2005, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3855, “Financial Instruments – Recognition and Measurement,” of the CICA Handbook – Accounting, which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 3855 applies to fiscal years beginning on or after October 1, 2006. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold short) to be used in determining the fair value of investments. Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of investments by the Fund be expensed in the period. Prior to October 1, 2006, fair value was commonly based on the closing price of a security for the day.

Section 14.2 of National Instrument (“NI”) 81-106, issued by the Canadian Securities Administrators in 2005, requires the net asset value of an investment fund to be calculated in accordance with Canadian GAAP. Canadian securities regulatory authorities have granted relief to investment funds from complying on an interim basis with Section 3855 for the purposes of calculating and reporting of net asset value other than for financial reporting purposes (the “Published NAV”) until September 30, 2007, to permit further review of the suitability of these requirements for purposes other than the financial statements. Depending on the outcome of such review, the method by which net asset value is calculated as governed by Section 3855 may result in a change to the Published NAV of the Fund on the date of such change.

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Published NAV and the net asset value calculated in accordance with Section 3855 (the “GAAP NAV”) has been provided in note 3 for the period ended June 30, 2007.

The provisions of Section 3855 have been applied retroactively without restatement of prior periods. Accordingly, the opening net asset value in the Statements of Changes in Net Assets for the fiscal period ended June 30, 2007 has been adjusted. Refer to note 3 for the amount adjusted.

As a result of the adoption of Section 3855, changes to the accounting policies for the Fund are as follows:

##### *Valuation of Investments*

The market value of investments as at the financial reporting period end is determined as follows:

- (a) Securities listed on a recognized public stock exchange are valued at their bid prices on the valuation date. Securities with no available bid prices are valued at the closing sale prices.
- (b) Short-term notes, treasury bills and bonds are valued at the average bid quotations from recognized investment dealers.

##### *Transaction Costs*

In accordance with Section 3855, transaction costs, such as brokerage commissions incurred in the purchase and sale of securities, are expensed and are included in “Transaction costs” in the Statements of Operations. Prior to the adoption of Section 3855, transaction costs were capitalized and included in the cost of purchases or proceeds from sale of investments. There is no impact on the net asset value of the investment fund in using either of these methods. The cost of investments for each security is determined on an average cost basis. The Statement of Investments includes an adjustment to reduce the cost of investments for this change in accounting policy.

### 3. RECONCILIATION OF NET ASSET VALUE

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Published NAV and the GAAP NAV of an investment fund is required to be disclosed in the financial statements.

The impact of the adoption of Section 3855 on the net asset value of the Fund is as follows:

As at June 30, 2007	Published NAV	Section 3855 Adjustment	GAAP NAV
Net asset value	\$ 121,882,246	(86,236)	\$ 121,796,010
Net asset value per Class A share	\$ 16.58	(0.01)	\$ 16.57

The adjustment to the Net Asset Value and Retained Earnings as at December 31, 2006 as a result of applying Section 3855 was a decrease of \$38,130.

### 4. SHARE CAPITAL

#### Class J Shares

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

As of June 30, 2007, 100 (2006 – 100) Class J shares were 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

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

The weighted average number of Class A shares outstanding for the period ended June 30, 2007 was 7,434,393 (2006 – 7,022,031).

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 Published NAV (“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 ten 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 ten business days prior to the December Retraction Date.

Pursuant to the monthly retraction option, 94,400 Class A shares were retracted at an average price of \$15.67 per share.

### 5. PREFERRED SHARES

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

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 ten 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.

## Notes to the Financial Statements (Unaudited) (continued)

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 ten business days prior to the December Retraction Date.

As a result of the monthly Class A retractions, 94,400 Preferred shares were purchased for cancellation.

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

### 6. 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 June 30, 2007, the Fund declared distributions of \$0.60 (2006 – \$0.60) per Class A share and \$0.2625 (2006 – \$0.2625) per Preferred share, which amounted to \$4,451,772 (2006 – \$4,283,073) and \$1,940,287 (2006 – \$1,873,844), respectively.

### 7. 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 Published NAV of the Fund, plus applicable taxes. The Published NAV 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 Published NAV 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.

### 8. INVESTMENT TRANSACTIONS

Investment transactions for the period ended June 30 were as follows:

	2007 <sup>(1)</sup>	2006
Proceeds from sale of investments	\$ 25,307,817	\$ —
Less cost of investments sold:		
Investments at cost, beginning of period	193,671,177	143,963,153
Investments purchased during the period	—	49,750,391
Investments at cost, end of period	(172,479,889)	(193,713,544)
Cost of investments sold during the period	21,191,288	—
Net realized gain (loss) on sale of investments	\$ 4,116,529	\$ —

<sup>(1)</sup> In accordance with Section 3855, investment transactions for the six months ended June 30, 2007 exclude brokerage commissions.

Brokerage commissions on investments purchased and sold during the period ended June 30, 2007 amounted to \$6,883 (2006 – \$21,397). For the periods ended June 30, 2007 and 2006 there were no soft dollar amounts paid.

### 9. 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 NI 81-102. The market value of the securities on loan and the related collateral at June 30, 2007, were \$30.5 million and \$32.5 million, respectively.

### 10. 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 \$4.75 million borrowed under this facility at June 30, 2007. During the period ended June 30, 2007, the minimum and maximum amounts of borrowings were \$0.9 million (2006 – nil) and \$5.4 million (2006 – \$0.5 million), respectively.

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

## Corporate Information

### Independent Review Committee

**James W. Davie**, BComm, MBA

**Arthur R.A. Scace**, QC, CM

**Ken S. Woolner**, BSc, PEng

### Directors and Officers

**Peter A. Braaten**, BA, MBA  
Director

**Raymond R. Pether**, BA, MBA  
Director

**Mark A. Caranci**, BComm, CA  
Director, President,  
Chief Executive Officer

**Craig T. Kikuchi**, BA, CA, CFA  
Chief Financial Officer

**David E. Roode**, BA, CA, MBA  
Senior Vice President

**Moyra E. MacKay**, BA  
Vice President and Corporate Secretary

**Lorne J. Zeiler**, BA, MBA, CFA  
Vice President

**Ann P. Wong**, BA, MAcc, CA,  
CPA (Delaware), CFA  
Controller

**Christopher Cullen**, BAsc, MBA, CFA  
Assistant Vice President

**Janet R. Toffolo**  
Assistant Vice President

### Continuous Disclosure Manager

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### Transfer Agent

Computershare Trust Company  
of Canada

### Custodian

RBC Dexia Investor Services Trust

### Auditors

PricewaterhouseCoopers LLP

### Banker

Canadian Imperial Bank of Commerce

### Website

[www.bromptongroup.com](http://www.bromptongroup.com)