



BROMPTON SPLIT BANC CORP.

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S B C . P R . A**

Passive 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.

Management Report of Fund Performance

March 12, 2008

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

Shareholders may obtain a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, independent review committee’s report or quarterly portfolio disclosure, at no cost, by calling 866-642-6001 or by sending a request to Brompton Funds, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, P.O. Box 793, 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 any subsequent 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 acquiring the 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 discussed in the Fund's 2007 annual information form, which is available on the Fund's website at www.bromptongroup.com or on SEDAR at www.sedar.com. There were no changes to the Fund over the period that materially affected the risks associated with an investment in the shares of the Fund.

Recent Developments

Credit Exposure of Canadian Financial Institutions and the Global "Credit Crunch"

During 2007, a downturn in the US housing market, particularly the portion financed by sub-prime debt, led to a global credit crunch. Negative investor sentiment towards financial firms with potential exposure to sub-prime mortgages or other higher risk assets resulted in significant decreases in equity prices for global financial institutions. Those institutions with greater sub-prime exposure, such as broker dealers and large-cap US and international banks, experienced the largest write-downs and the largest decreases in their equity prices. Certain Canadian banks were not immune and announced significant write-downs in 2007, particularly due to sub-prime exposure through credit linked assets, such as asset backed commercial paper. While the overall exposure of Canadian banks to higher credit risk assets was significantly less than that of their international peers, the share prices of the Canadian banks also experienced decreases.

Since the summer of 2007, the market capitalization of Canadian banks as a whole has decreased. The Manager continues to have a positive long-term view on Canadian banks as they provide investors with quality earnings, high dividend rates and the strong potential for capital appreciation.

Adoption of Accounting Standard in the Financial Statements

The Fund has adopted the new accounting standard, Canadian Institute of Chartered Accountants ("CICA") Section 3855, Financial Instruments – Recognition and Measurement, in the December 31, 2007 financial statements, and it has been applied retroactively without restatement of prior periods. 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 and at the average of the latest bid and ask prices for securities traded over-the-counter.

Investment funds, including the Fund, are currently exempt 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 retraction purposes. As a result, the Published NAV of the Fund is not the same as the net asset value as calculated in accordance with GAAP ("GAAP NAV"). As at December 31, 2007, the Published NAV per Class A share was \$12.75 and the GAAP NAV per Class A share was \$12.71. A reconciliation is also provided in the note to the financial statements.

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 Class A Share table, which can be found under Financial Highlights. In accordance with National Instrument ("NI") 81-106, the figures in this table must be derived from the financial statements (GAAP NAV).

Results of Operations

Distributions

For the year ended December 31, 2007, the Fund distributed \$1.20 per Class A share (2006 – \$1.20) and \$0.525 per Preferred share (2006 – \$0.525). Since inception in November 2005, the Fund has distributed \$2.55 per Class A share and \$1.12 per Preferred share.

Dividend income in 2007 (\$6.9 million) was higher compared to 2006 (\$6.0 million) as banks increased their dividend rates during the year. Total expenses decreased slightly from 2006 (\$2.0 million) to 2007 (\$1.9 million). This decline was the result of a lower average net asset value, which reduces management and service fees.

A breakdown of the tax characteristics of all the 2007 distributions paid in 2007 is provided later in this report under 2007 Tax Information.

Net Asset Value

As a result of a decline in the value of the Fund's investment portfolio and the leverage from the Preferred shares, the net asset value per Class A share decreased over the year by \$4.57 per share, or 26.4%, from \$17.32 to \$12.75. 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 \$157.5 million on December 31, 2007 as the value of bank stocks declined, particularly in the second half of the year, and also as a result of monthly and annual retractions of Class A and Preferred shares of \$12.3 million.

Investment Portfolio

As of December 31, 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 year, the option advisor did not write any options on the Fund's portfolio securities. The Fund recorded a net loss (realized and unrealized) of \$26.1 million from its portfolio.

Liquidity and Capital Resources

During the year, the Fund had a 364-day revolving credit facility used for working capital purposes. The Fund terminated its credit facility on October 31, 2007 and is funding its working capital requirements through the sale of investments. During the year ended December 31, 2007, the minimum and maximum amounts of borrowings were nil (2006 – nil) and \$5.4 million (2006 – \$5.4 million), respectively.

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 1.9%. Investors may also retract their shares in accordance with the Fund's 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.

In 2007, management and service fees amounted to \$1.1 million and \$0.5 million, respectively.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the fiscal periods indicated. This information is derived from the Fund's audited annual financial statements. *The information in the following tables is presented in accordance with 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 Years Ended December 31	2007	2006	2005 ⁽¹⁾
Net asset value, beginning of year ⁽²⁾⁽³⁾	\$ 17.31	\$ 14.61	\$ 13.68
Increase (decrease) from operations: ⁽¹⁾⁽⁴⁾			
Total revenue	0.94	0.80	0.14
Total expenses	(0.26)	(0.26)	(0.04)
Preferred share distributions	(0.52)	(0.52)	(0.07)
Realized gain (loss) for the year	0.81	—	—
Unrealized gain (loss) for the year	(4.36)	3.82	1.06
Total increase (decrease) in net assets from operations	\$ (3.39)	\$ 3.84	\$ 1.09
Distributions to Class A shareholders: ⁽¹⁾⁽³⁾			
Dividends	\$ 0.07	\$ —	\$ —
Return of capital	1.13	1.20	0.15
Total distributions to shareholders	\$ 1.20	\$ 1.20	\$ 0.15
Net asset value, end of year⁽²⁾⁽³⁾	\$ 12.71	\$ 17.32	\$ 14.61

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

⁽²⁾ The net asset values per Class A share at the beginning and at the end of the year for 2007 are the GAAP NAV. The net asset value per Class A share for prior periods is based on the prior period financial statements and has not been adjusted for the new accounting standard adopted in 2007.

⁽³⁾ 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.

⁽⁴⁾ 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)

December 31	2007	2006	2005 ⁽¹⁾
Net assets (in 000s) – including Preferred shares	\$ 157,475	\$ 203,388	\$ 150,960
Number of Class A shares outstanding (in 000s)	6,923	7,445	6,135
Management expense ratio (“MER”) ⁽²⁾	2.96%	3.09%	8.73%
MER excluding distributions on Preferred shares and issuance costs ⁽³⁾	0.94%	0.96%	1.04%
Portfolio turnover rate ⁽⁴⁾	0.34%	—	N/A
Trading expense ratio ⁽⁵⁾	0.01%	0.02%	0.05%
Closing market price – Preferred shares	\$ 9.95	\$ 10.52	\$ 10.76
Closing market price – Class A shares	\$ 12.00	\$ 16.19	\$ 15.50

⁽¹⁾ Annualized, if applicable, for the period from November 16, 2005 (commencement of operations) to December 31, 2005.

⁽²⁾ MER 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.

⁽³⁾ 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.

⁽⁴⁾ 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.

⁽⁵⁾ 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

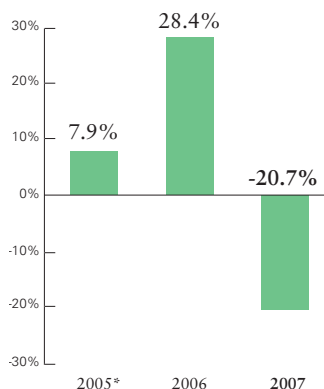
The MER of the Fund decreased in 2007 to 2.96% from 3.09% in 2006. In each year, the ratio is exaggerated by the inclusion of distributions paid on the Preferred shares and the costs of issuance of both the Class A and the Preferred shares. Issue costs were incurred in respect of the rights offering in 2006. The MER, excluding these items, decreased from 0.96% in 2006 to 0.94% in 2007. This latter ratio is more representative of the ongoing efficiency of the administration of the Fund.

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 annual return in each year/period since inception to December 31, 2007. The chart shows, in percentage terms, how an investment held in a Class A share on the first day of each fiscal year/period would have increased or decreased by the last day of the fiscal year/period.

Year-by-Year Returns



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

The following table shows the Fund’s annual compound return on a Class A share for each period indicated, 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

	1 Year	Since Inception ⁽¹⁾
Brompton Split Banc Corp. – Class A shares ⁽²⁾	(20.7%)	4.6%
S&P/TSX Capped Financials Index	(0.8%)	10.5%

⁽¹⁾ Period from November 16, 2005 (commencement of operations) to December 31, 2007.

⁽²⁾ 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.

In 2007, the Fund's Class A shares experienced a negative return of 20.7% and, as a result, underperformed the Financials Index in 2007 and since inception. The credit crunch that began in the summer of 2007 negatively impacted the equity prices of the Big Six Canadian banks. For more information, please see Recent Developments section.

The Class A shares of the Fund employ leverage provided by the Preferred shares. Consequently, any return on the portfolio which is greater than the Preferred share's coupon of 5.25% will provide additional positive returns for the Fund and any return on the portfolio less than 5.25% will provide additional negative returns for the Fund. The portfolio of six banks held by the Fund underperformed the Financials Index and had a negative return in 2007. The leverage on the Class A shares of the Fund resulted in additional negative returns for Class A shareholders.

Summary of Investment Portfolio

As at December 31, 2007

Total Published NAV ⁽¹⁾	\$ 157,475,467
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Portfolio Composition	% of Portfolio	% of Published NAV
Financials	100.0%	106.7%
Total investment portfolio	100.0%	106.7%
Other net liabilities		(6.7%)
Total net asset value		100.0%

Holdings	% of Portfolio	% of Published NAV
The Bank of Nova Scotia	18.7%	19.9%
The Toronto-Dominion Bank	18.3%	19.5%
Royal Bank of Canada	17.3%	18.5%
National Bank of Canada	16.4%	17.5%
Bank of Montreal	15.6%	16.6%
Canadian Imperial Bank of Commerce	13.7%	14.6%

⁽¹⁾ 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.

2007 Tax Information

The following information is applicable to holders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold shares as capital property outside of an RRSP, RRIF or DPSP. Shareholders should receive a T5 slip from their investment dealer providing this information.

T5 supplementary slips will indicate Capital Gains Dividends in Box 18 and Actual Amount of Eligible Dividends in Box 24. Dividend income is subject to the standard gross-up and federal dividend tax credit rules.

The return of capital component is a non-taxable amount that serves to reduce the adjusted cost base of the Fund units.

The following table outlines the breakdown of the Fund's distributions on Class A shares and Preferred shares in 2007 on a per share basis.

Class A Shares

Record Date	Payment Date	Dividend Income	Return of Capital	Total Distribution
Dec. 29, 2006	Jan. 15, 2007	\$ 0.00563	\$ 0.09437	\$ 0.10
Jan. 31, 2007	Feb. 14, 2007	0.00563	0.09437	0.10
Feb. 28, 2007	Mar. 14, 2007	0.00563	0.09437	0.10
Mar. 30, 2007	Apr. 16, 2007	0.00563	0.09437	0.10
Apr. 30, 2007	May 14, 2007	0.00563	0.09437	0.10
May 31, 2007	Jun. 14, 2007	0.00563	0.09437	0.10
Jun. 29, 2007	Jul. 16, 2007	0.00563	0.09437	0.10
Jul. 31, 2007	Aug. 15, 2007	0.00563	0.09437	0.10
Aug. 31, 2007	Sep. 17, 2007	0.00563	0.09437	0.10
Sep. 28, 2007	Oct. 15, 2007	0.00563	0.09437	0.10
Oct. 31, 2007	Nov. 14, 2007	0.00563	0.09437	0.10
Nov. 30, 2007	Dec. 14, 2007	0.00563	0.09437	0.10
Total		\$ 0.06756	\$ 1.13244	\$ 1.20

Preferred Shares

Record Date	Payment Date	Dividend Income	Total Distribution
Dec. 29, 2006	Jan. 15, 2007	\$ 0.13125	\$ 0.13125
Mar. 30, 2007	Apr. 16, 2007	0.13125	0.13125
Jun. 29, 2007	Jul. 16, 2007	0.13125	0.13125
Sep. 28, 2007	Oct. 15, 2007	0.13125	0.13125
Total		\$ 0.52500	\$ 0.52500

This information is of a general nature only and does not constitute legal or tax advice to any particular investor. Accordingly, investors are advised to consult their own tax advisors with respect to their individual circumstances.

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.

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 a majority of independent directors.

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 shareholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

(Signed)

Mark A. Caranci
President and Chief Executive Officer
Brompton Split Banc Corp.
March 12, 2008

(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, 2007, the statements of financial position as at December 31, 2007 and 2006 and the statements of operations and retained earnings (deficit), changes in shareholders' equity and cash flows for the years then ended. 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, 2007, the financial position as at December 31, 2007 and 2006 and the results of its operations and retained earnings (deficit), the changes in its shareholders' equity and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed)

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario

March 12, 2008

Statements of Financial Position

As at December 31	2007	2006
Assets		
Investments, at market value	\$ 167,731,880	\$ 229,093,691
Cash and short-term investments	61,532	36,031
Income receivable	903,476	895,835
Total assets	168,696,888	230,025,557
Liabilities		
Accounts payable and accrued liabilities	136,475	323,626
Distributions payable to shareholders (note 6)	1,601,030	1,721,719
Retractions payable to shareholders	9,710,168	19,202,869
Preferred shares (note 5)	69,233,750	74,452,700
Loans payable (note 10)	—	5,389,010
Total liabilities	80,681,423	101,089,924
Shareholders' equity		
Class A shares (note 4)	98,271,192	105,588,770
Class J shares (note 4)	100	100
Contributed surplus	564,642	—
Retained earnings (deficit)	(10,820,469)	23,346,763
Total shareholders' equity	88,015,465	128,935,633
Liabilities and shareholders' equity	\$ 168,696,888	\$ 230,025,557
Units outstanding (note 4)	6,923,375	7,445,270
Net asset value per unit	\$ 22.71	\$ 27.32
Net asset value per Preferred share	\$ 10.00	\$ 10.00
Net asset value per Class A share	\$ 12.71	\$ 17.32

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

(Signed)

(Signed)

Peter A. Braaten
Director

Raymond R. Pether
Director

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

Statements of Operations and Retained Earnings (Deficit)

For the years ended December 31	2007	2006
Income		
Dividends	\$ 6,885,989	\$ 5,995,171
Securities lending income (note 9)	23,832	818
Interest income	8,015	48,152
	<u>6,917,836</u>	<u>6,044,141</u>
Expenses		
Management fees (note 7)	1,113,380	1,108,492
Service fees (note 7)	476,075	458,890
Audit fees	31,812	26,012
Independent review committee and director fees	35,938	40,000
Custodial fees	25,184	22,888
Legal fees	17,842	—
Shareholder reporting costs	14,396	23,512
Other administrative expenses	104,144	139,921
Interest and bank charges (note 10)	86,153	136,733
	<u>1,904,924</u>	<u>1,956,448</u>
Net investment income before distributions	5,012,912	4,087,693
Distributions on Preferred shares (note 6)	(3,813,440)	(3,919,661)
Net investment income	1,199,472	168,032
Net realized gain on sale of investments (note 8)	5,958,209	—
Transaction costs (note 2)	(11,764)	—
Net change in unrealized gain/loss on investments	(32,248,886)	28,962,018
Increase (decrease) in net assets from operations	(25,102,969)	29,130,050
Retained earnings, beginning of year	23,308,633	5,672,061
Excess of stated value paid on repurchase of units	(207,888)	(2,356,794)
Distributions on Class A shares (note 6)	(8,818,245)	(9,098,554)
Retained earnings (deficit), end of year	\$ (10,820,469)	\$ 23,346,763
Increase (decrease) in net assets from operations per Class A share⁽¹⁾	\$ (3.39)	\$ 3.84

⁽¹⁾ Based on the weighted average number of Class A shares outstanding for the year (note 4).

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

Statements of Cash Flows

For the years ended December 31	2007	2006
Cash flows from operating activities:		
Increase (decrease) in net assets from operations	\$ (25,102,969)	\$ 29,130,050
Adjustments to reconcile net cash provided by (used in) operations:		
Net realized (gain) loss on sale of investments (note 8)	(5,958,209)	—
Net change in unrealized gain/loss on investments	32,248,886	(28,962,018)
Amortization of deferred financing costs	—	36,341
Decrease (increase) in income receivable	(7,641)	(118,684)
Increase (decrease) in distributions payable to Preferred shareholders	(68,500)	574,552
Increase (decrease) in accounts payable and accrued liabilities	(187,151)	(285,924)
Purchase of investments (note 8)	(667,269)	(49,750,391)
Proceeds from sale of investments (note 8)	35,700,273	—
Cash provided by (used in) operating activities	35,957,420	(49,376,074)
Cash flows from financing activities:		
Proceeds from issuance of Class A shares (note 4)	—	32,311,203
Proceeds from issuance of Preferred shares	—	20,069,070
Refund (payment) of agent's fees and issuance costs (note 4)	83,936	(780,728)
Deferred financing costs paid	—	(31,877)
Amounts paid for retraction of Class A shares	(13,753,175)	—
Amounts paid for retraction of Preferred shares	(8,003,236)	—
Increase (decrease) in loans payable	(5,389,010)	5,389,010
Distributions paid to Class A shareholders (note 6)	(8,870,434)	(8,967,527)
Cash provided by (used in) financing activities	(35,931,919)	47,989,151
Net increase (decrease) in cash and short-term investments	25,501	(1,386,923)
Cash and short-term investments, beginning of year	36,031	1,422,954
Cash and short-term investments, end of year	\$ 61,532	\$ 36,031
Supplemental information:		
Interest paid	\$ 86,855	\$ 89,583
Distributions paid on Preferred shares (note 6)	\$ 3,881,939	\$ 3,345,109

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

Statements of Changes in Shareholders' Equity

For the years ended December 31	2007	2006
Shareholders' equity, beginning of year (note 3)	\$ 128,897,503	\$ 89,610,161
Operations:		
Increase (decrease) in net assets from operations	(25,102,969)	29,130,050
Shareholder transactions:		
Distributions to shareholders (note 6)		
Net investment income	(496,467)	—
Return of capital	(8,321,778)	(9,098,554)
Total	(8,818,245)	(9,098,554)
Proceeds from issuance of Class A shares (note 4)	83,936	31,530,475
Retraction of Class A shares	(7,044,760)	(12,236,499)
Net increase (decrease) in shareholders' equity	(40,882,038)	39,325,472
Shareholders' equity, end of year	\$ 88,015,465	\$ 128,935,633
Distributions per Class A share (note 6)	\$ 1.20	\$ 1.20

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

Statement of Investments

As at December 31, 2007		Cost	Market Value	% of Portfolio
No. of Shares	Canadian Common Stocks			
465,400	Bank of Montreal	\$ 27,801,050	\$ 26,178,750	
325,150	Canadian Imperial Bank of Commerce	24,913,380	22,939,333	
527,700	National Bank of Canada	32,273,715	27,530,109	
573,770	Royal Bank of Canada	25,357,250	29,084,401	
624,300	The Bank of Nova Scotia	27,995,481	31,314,888	
441,820	The Toronto-Dominion Bank	26,298,200	30,684,399	
		164,639,076	167,731,880	100.0%
	Embedded Broker Commission (note 2)	(42,694)	—	
	Total	\$ 164,596,382	\$ 167,731,880	100.0%

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

Notes to the Financial Statements

December 31, 2007 and 2006

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 (“GAAP”) and they include estimates and assumptions made by management that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of income and expenses during the periods for which the financial statements report. Actual results could differ from these estimates.

(a) Adoption of New Accounting Standards

Section 3855 – Financial Instruments – Recognition and Measurement

On January 1, 2007, the Fund adopted Section 3855, Financial Instruments – Recognition and Measurement, of the Canadian Institute of Chartered Accountants Handbook – Accounting. Section 3855 establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. 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. Prior to the adoption of this new standard, fair value was commonly based on the closing price of an investment for the day. Section 3855 also requires transaction costs, such as brokerage commissions, incurred in the purchase and sale of investments by the Fund be expensed in the period incurred. Prior to the adoption of Section 3855, transaction costs were capitalized and included in the cost of purchases or proceeds from sale of investments.

Section 14.2 of National Instrument (“NI”) 81-106, issued by the Canadian Securities Administrators (“CSA”) in 2005, requires the net asset value of an investment fund to be calculated in accordance with Canadian GAAP. The CSA has 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”). Relief has been granted to the earlier of (i) September 30, 2008, or (ii) the date on which changes to NI 81-106 become effective for calculating the Published NAV.

In accordance with the relief granted by the CSA, 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.

On June 1, 2007, the CSA proposed amendments to NI 81-106 that would remove the requirement to calculate the Published NAV in accordance with Canadian GAAP. The proposed amendments, if adopted, would not require the Fund to change the way that it calculates its Published NAV and continue to use GAAP NAV for financial statements reporting purposes.

The provisions of Section 3855 have been applied retroactively without restatement of prior periods. Accordingly, the opening net asset value in the Statement of Changes in Net Assets for the year ended December 31, 2007 has been adjusted. Refer to note 3 for the adjustment to the opening net asset value.

Section 1506 – Accounting Changes

On January 1, 2007, the Fund adopted Section 1506 of the CICA Handbook, Accounting Changes, which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Section 1506 also requires the disclosure of new primary sources of GAAP that have been issued but are not yet effective. This standard did not affect the Fund’s financial position or results of operations.

(b) Valuation of Investments

The Fund’s investments are valued at estimated market value. Investments held that are publicly traded are valued at their bid prices on the valuation date. Investments with no available bid prices is valued at their closing price. Short-term investments and bonds are valued at the average bid quotations from recognized investment dealers. The cost of investments is based on their average cost.

(c) Cash and Short-Term Investments

Cash and short-term investments consist of cash on hand and short-term debt instruments with maturities of less than three months on acquisition.

(d) 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.

(e) Transaction Costs

Transaction costs such as brokerage commissions incurred in the purchase and sale of securities are expensed and are recognized in the Statement of Operations.

(f) 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 $\frac{1}{3}$ % 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.

(g) 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 on the respective dates of such transactions.

(h) Fair Value of Financial Instruments

The fair value of the Fund’s financial instruments, excluding investments and short-term investments, which are composed of cash, income receivable, accounts payable and accrued liabilities, distributions payable to shareholders, retractions payable to shareholders and loans payable, approximates their book value. The fair value of Preferred shares as at December 31, 2007 amounted to \$69,302,984.

(i) Recent Accounting Pronouncements***Section 1535 – Capital Disclosures***

The new CICA Handbook Section 1535, Capital Disclosures, requires that an entity disclose information that enables users of its financial statements to evaluate an entity’s objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Fund.

This standard will impact the Fund’s disclosures provided but will not affect the Fund’s results or financial position.

Section 3862 – Financial Instruments – Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures, replaces Section 3861 and increases the disclosures currently required that enable users to evaluate the significance of financial instruments for an entity’s financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments including specified minimum disclosures about liquidity risks and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income would have been affected by reasonably possible changes in the relevant risk variable. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Fund.

This standard will impact the Fund’s disclosures provided but will not affect the Fund’s results or financial position.

Section 3863 – Financial Instruments – Presentation

CICA Handbook Section 3863, Financial Instruments – Presentation, also replaces Section 3861. This section carries forward the presentation requirements of Section 3861. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Fund.

This standard will impact the Fund’s disclosures provided but will not affect the Fund’s results or financial position.

Notes to the Financial Statements (continued)

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 December 31, 2007	Published NAV	Section 3855 Adjustment	GAAP NAV
Net asset value	\$ 88,241,717	(226,252)	\$ 88,015,465
Net asset value per Class A share	\$ 12.75	(0.04)	\$ 12.71

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 December 31, 2007, 100 (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

	2007		2006	
	Number of Units	Amount	Number of Units	Amount
Class A shares, beginning of year	7,445,270	\$ 105,588,770	6,135,000	\$ 83,938,000
Initial public offering	—	83,936	—	—
Exercise of right	—	—	2,006,907	31,530,475
Shares retracted	(521,895)	(7,401,514)	(696,637)	(9,879,705)
Class A shares, end of year	6,923,375	\$ 98,271,192	7,445,270	\$ 105,588,770

The weighted average number of Class A shares outstanding for the year ended December 31, 2007 was 7,389,791 (2006 – 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 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 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, 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.

As at December 31, 2007, the Fund has accumulated contributed surplus of \$564,642 (2006 – nil) since inception. Contributed surplus is recorded when shares of the Fund are redeemed or repurchased at a price per share which are below the average cost per share of the unitholder capital.

On December 28, 2007, 424,895 Class A shares were retracted at a price of \$12.85 per unit. Pursuant to the monthly retraction option, 97,000 Class A Shares were retracted at an average price of \$15.65 per share.

5. PREFERRED SHARES

Authorized

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

Issued

	2007		2006	
	Number of Units	Amount	Number of Units	Amount
Preferred shares, beginning of year	7,445,270	\$ 74,452,700	6,135,000	\$ 61,350,000
Exercise of rights	—	—	2,006,907	20,069,070
Shares retracted	(521,895)	(5,218,950)	(696,637)	(6,966,370)
Preferred shares, end of year	6,923,375	\$ 69,233,750	7,445,270	\$ 74,452,700

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.

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.

On December 31, 2007, 424,895 Preferred shares were retracted at a price of \$10.00 per unit. As a result of the monthly Class A retractions, 97,000 Preferred shares were purchased for cancellation.

The Preferred shares have been presented as financial liabilities in the financial statements in accordance with Section 3861 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 year ended December 31, 2007, the Fund declared distributions of \$1.20 (2006 – \$1.20) per Class A share and \$0.525 (2006 – \$0.525) per Preferred share, which amounted to \$8,818,245 (2006 – \$9,098,554) and \$3,813,440 (2006 – \$3,919,661), 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.

Notes to the Financial Statements (continued)

8. INVESTMENT TRANSACTIONS

Investment transactions for the years ended December 31 were as follows:

	2007 ⁽¹⁾	2006
Proceeds from sale of investments	\$ 35,700,273	\$ —
Less cost of investments sold:		
Investments at cost, beginning of year	193,671,177	143,963,153
Investments purchased during the year	667,269	49,750,391
Investments at cost, end of year	(164,596,382)	(193,713,544)
Cost of investments sold during the year	29,742,064	—
Net realized gain on sale of investments	\$ 5,958,209	\$ —

⁽¹⁾ In accordance with Section 3855, investment transactions for the year ended December 31, 2007 exclude brokerage commissions.

Brokerage commissions on investments purchased and sold during the year ended December 31, 2007 amounted to \$11,764 (2006 – \$21,397). The brokerage commissions paid to dealers included \$2,305 (2006 – nil) that was available for payment to third party vendors, of which \$1,964 (2006 – nil) was used for market data services by the portfolio manager.

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 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 December 31, 2007, were \$11.0 million (2006 – \$69.2 million) and \$11.8 million (2006 – \$80.0 million), respectively.

10. LOANS PAYABLE

During the year, the Fund had a 364-day revolving credit facility. The credit facility was used by the Fund for general fund services. The Fund terminated its credit facility on October 31, 2007. During the year ended December 31, 2007, the minimum and maximum amounts of borrowings were nil (2006 – nil) and \$5.4 million (2006 – \$5.4 million), respectively.

11. INCOME TAXES

	2007	2006
Future income tax assets:		
Losses carried forward	\$ —	\$ 764,642
Share issue expenses	2,012,221	3,501,999
Future income tax assets	2,012,221	4,266,641
Less valuation allowance	(2,012,221)	(4,266,641)
Net future income taxes	\$ —	\$ —

As at December 31, 2007, the Fund had no non-capital loss carry-forwards for income tax purposes (2006 – \$1,820,577 expiring 2026). The Fund is subject to Ontario capital tax. No such taxes were payable by the Fund in 2007.

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
Vice President and Controller

Christopher Cullen, BAsc, MBA, CFA
Vice President

Janet R. Toffolo
Assistant Vice President

Continuous Disclosure Manager

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