

VIP.UN

Portfolio of income funds  
and high-yield debt  
managed by MFC Global  
Investment Management.

BROMPTON  INCOME FUND  
2007  
INTERIM  
REPORT

### Management Report of Fund Performance

August 15, 2007

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

Unitholders 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 VIP Income Fund is a closed-end investment trust that is managed by Brompton Funds Management Limited (the "Manager"). The units of the Fund trade on the Toronto Stock Exchange ("TSX") under the symbol VIP.UN.

### Investment Objectives and Strategies

The Fund's objectives are to provide unitholders with a high level of income through receipt of monthly cash distributions and to preserve the net asset value per unit. The Fund utilizes an active asset and sector allocation strategy to invest in a diversified portfolio of income trusts and high-yield debt across a broad range of industries and geographic areas. Its investment focus is on business funds with smaller weightings in real estate investment trusts, oil and gas trusts, power and pipeline trusts and high-yield debt, and the Fund may invest a portion (less than 10%) in common equities. The Fund is actively managed by MFC Global Investment Management ("MFC"), a subsidiary of Manulife Financial Corp., a top-ranked portfolio manager of income fund investments with extensive experience in income trusts and high-yield fixed income investments. The Fund is RRSP, DPSP, RRIF and RESP eligible.

### Risks

Risks associated with an investment in the units 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.

With the appointment of the IRC, the board of directors of the Manager 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, resigned his position. Mr. Caranci was also appointed Chief Executive Officer of the Manager 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.

### Tax Treatment of Income Trusts

As discussed in the 2006 annual management report of fund performance, on October 31, 2006, the Federal Minister of Finance announced a proposal of a new tax on public income trusts. In the federal budget of March 19, 2007, the government reconfirmed that the introduction of new legislation for the taxation of income trusts would proceed. The budget received royal assent and became law in June 2007.

### 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 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 unit was \$14.85 and the GAAP NAV per unit was \$14.77. A reconciliation is also provided in the notes 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 redemption 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 made monthly cash distributions which totaled \$0.54 per unit (2006 – \$0.50 per unit). Since inception in February 2002, the Fund has paid total cash distributions of \$5.39 per unit.

Approximately 26% of the distributions in 2006 were classified as a return of capital for tax purposes. Based on the results of operations for the first six months of 2007, and assuming that the distributions from the Fund's underlying income trusts have the same tax breakdown as reported in 2006, it is currently estimated that the return of capital portion of the Fund's distributions for 2007 will be approximately 22%. The final breakdown for 2007 may differ significantly as this percentage will be affected by capital gains or losses that may be experienced in the second half of 2007.

The Fund has a distribution reinvestment plan which allows participating unitholders to automatically reinvest monthly distributions in additional units of the Fund. For the six months ended June 30, 2007, 18,053 units were acquired in the market pursuant to this plan, at an average price of \$13.73 per unit.

### Net Asset Value

As a result of a rise in the value of the Fund's investment portfolio, the net asset value per unit increased by \$1.30 per unit, or 9.7%, from \$13.55 per unit to \$14.85 per unit, over the six months ended June 30, 2007. The aggregate net assets of the Fund increased from \$113 million to \$120 million.

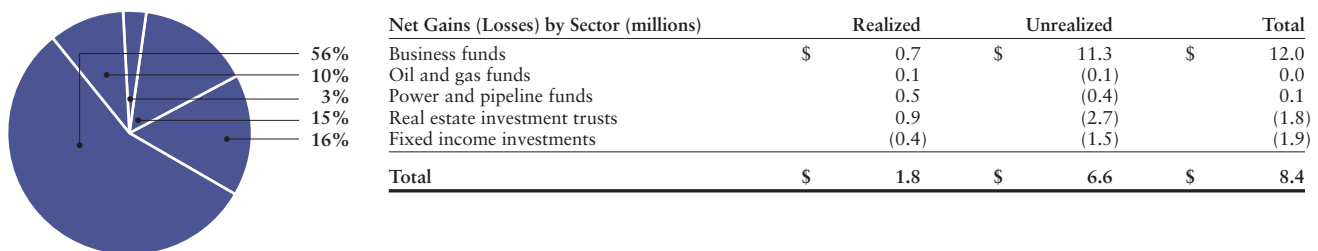
### Investment Portfolio

As of June 30, 2007, the Fund's investments included a total of 43 income funds and 60 fixed income investments, which provide diversification by issuer, industry, and asset class. The breakdown of the portfolio is shown in the pie chart below, and a detailed listing of the Fund's security holdings is provided in the financial statements.

The table below shows the net gains (losses) in the portfolio by sector. The Fund's portfolio experienced net gains of \$8.4 million. Business funds were the best performing sector.

The fixed income securities are high-yield debt and are mostly denominated in US dollars. In order to hedge the foreign exchange exposure, an amount approximately equal to these US dollar denominated assets has been borrowed under the Fund's credit facilities in US dollars. As a result, gains or losses on the US dollar foreign exchange hedging are included with the gains or losses on the fixed income securities to show the net gain from this investment activity.

### Portfolio Sectors



### Liquidity and Capital Resources

As of June 30, 2007, the Fund had total borrowings of \$31.3 million under its three credit facilities, which represented 20.7% of total assets, or 26.1% of net assets. The Fund currently has a 364-day revolving credit facility and two term credit facilities. The current revolving credit facility provides for maximum borrowings of \$23.0 million, with borrowings in Canadian currency at either the prime rate of interest or the bankers' acceptance rate plus a fixed percentage or in US currency at the LIBOR rate plus a fixed percentage. At June 30, 2007, the Fund had a \$1.0 million prime loan and borrowings based on the bankers' acceptance rate of \$8.0 million outstanding under its revolving facility. Under its term credit facilities, the Fund has borrowed US\$13.0 million at a fixed rate of interest of 3.89% for a five-year period ending May 28, 2008 and US\$8.0 million with a five-year term to July 14, 2010 and a fixed rate of interest of 4.86%. These loans represent \$22.4 million of the total borrowings at June 30, 2007. With the rise of US short-term interest rates since inception, the Fund has benefited from having the interest rate fixed on a significant portion of its borrowings. At June 30, 2007, borrowings in US dollars had an unrealized foreign exchange gain of \$4.5 million, which hedges foreign exchange losses on the Fund's US dollar securities. The term loans have been used to invest in additional portfolio investments to increase the overall distributions paid by the Fund. The revolving credit facility has also been used to invest in additional portfolio investments as well as for working capital purposes. During the period ended June 30, 2007, the minimum and maximum amounts of borrowings were \$30.3 million and \$43.3 million, respectively.

To provide liquidity, units of the Fund are listed on the TSX under the symbol VIP.UN. The Fund's normal course issuer bid program allows it to purchase its units on the TSX when they trade below net asset value per unit. As a result, purchases under the issuer bid are accretive to the net asset value per unit. A total of 284,500 units were purchased during the six months ended June 30, 2007 under this program at an average price of \$13.55 per unit. During the six months ended June 30, 2007, units of the Fund traded at an average discount to their net asset value per unit of 5.9%. Investors may also redeem their units annually in accordance with their redemption 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 0.85% per annum of the Published NAV of the Fund plus applicable taxes. The Manager is responsible for paying the fees of MFC for the portfolio management services it provides the Fund. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Published NAV of the Fund. The service fee is in turn paid by the Manager to investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter. During the six months ended June 30, 2007, management and service fees amounted to \$0.6 million and \$0.2 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 NI 81-106 and, as a result, does not act as a continuity of opening and closing net asset value per unit.* The increase (decrease) in net assets from operations is based on average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.

### Net Asset Value per Unit

	For the	For the Years Ended December 31				
	Six Months Ended June 30, 2007	2006	2005	2004	2003	2002
Net asset value, beginning of period/year <sup>(2)(3)</sup>	\$ 13.48	\$ 14.77	\$ 13.70	\$ 11.36	\$ 9.29	\$ 9.37
Increase (decrease) from operations: <sup>(1)(4)</sup>						
Total revenue	0.74	1.48	1.32	1.25	1.26	0.96
Total expenses	(0.20)	(0.39)	(0.31)	(0.28)	(0.25)	(0.20)
Realized gain (loss) for the period/year	0.24	0.80	0.71	0.25	0.01	(0.16)
Unrealized gain (loss) for the period/year	1.04	(2.12)	0.30	2.20	2.04	0.05
<b>Total increase (decrease) in net assets from operations</b>	<b>\$ 1.82</b>	<b>\$ (0.23)</b>	<b>\$ 2.02</b>	<b>\$ 3.42</b>	<b>\$ 3.06</b>	<b>\$ 0.65</b>
Distributions to unitholders: <sup>(1)(3)</sup>						
From net investment income (excluding dividends)	\$ N/A	\$ 0.71	\$ 0.61	\$ 0.48	\$ 0.52	\$ 0.35
From dividends	N/A	0.05	0.06	0.05	0.07	0.04
From net realized gain on investments	N/A	—	—	0.14	—	—
Return of capital	N/A	0.26	0.33	0.43	0.41	0.34
<b>Total distributions to unitholders</b>	<b>\$ 0.54</b>	<b>\$ 1.02</b>	<b>\$ 1.00</b>	<b>\$ 1.10</b>	<b>\$ 1.00</b>	<b>\$ 0.73</b>
<b>Net asset value, end of period/year<sup>(2)</sup></b>	<b>\$ 14.77</b>	<b>\$ 13.55</b>	<b>\$ 14.77</b>	<b>\$ 13.70</b>	<b>\$ 11.36</b>	<b>\$ 9.29</b>

<sup>(1)</sup> Period from February 19, 2002 (commencement of operations) to December 31, 2002.

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

<sup>(3)</sup> Net asset value per unit and distributions per unit are based on the actual number of units outstanding at the relevant time.

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

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

	June 30, 2007	December 31				
		2006	2004	2005	2003	2002
Net assets (in 000s)	\$ 119,990	\$ 113,349	\$ 157,761	\$ 111,913	\$ 103,102	\$ 90,690
Number of units outstanding (in 000s)	8,080	8,365	10,683	8,170	9,077	9,763
Management expense ratio ("MER") <sup>(1)(2)</sup>	2.71%	2.69%	2.24%	2.45%	2.47%	9.09%
MER excluding interest expense and issuance costs <sup>(1)(3)</sup>	1.47%	1.46%	1.52%	1.51%	1.56%	1.59%
Portfolio turnover rate <sup>(4)</sup>	4.15%	14.68%	17.75%	14.34%	28.04%	N/A
Trading expense ratio <sup>(5)</sup>	0.05%	0.05%	0.05%	N/A	N/A	N/A
Closing market price	\$ 14.03	\$ 12.61	\$ 13.80	\$ 13.30	\$ 11.20	\$ 9.50

<sup>(1)</sup> Annualized for the period from February 19, 2002 (commencement of operations) to December 31, 2002.

<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 interest expense and issuance costs, but excluding brokerage commissions on securities transactions, and is expressed as an annualized percentage of the average net assets of 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. This disclosure was a new requirement in 2005 under NI 81-106 and was not applied retroactively.

### Expense Ratio

The MER of the Fund increased from 2.69% in 2006 to 2.71% in 2007. This ratio is exaggerated by the inclusion of interest expense on borrowings used to purchase additional portfolio investments to increase the distributions of the Fund.

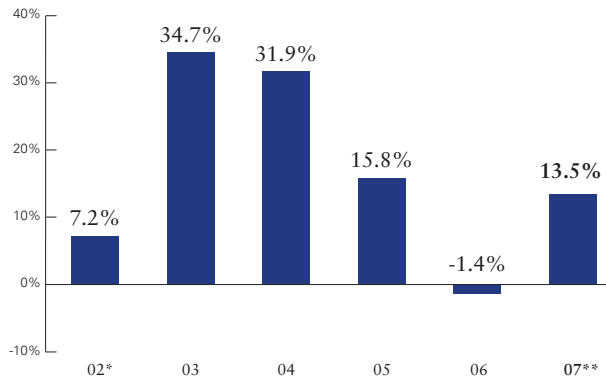
The MER, excluding interest expense, increased from 1.46% in 2006 to 1.47% in 2007. This latter rate is more representative of the ongoing efficiency of the administration of the Fund.

## 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 Published NAV per unit and assumes that distributions made by the Fund on its units in the periods shown were reinvested (at Published NAV per unit) in additional units of the Fund.

The bar chart shows the Fund's return for the six month period ended June 30, 2007 and for each year since inception. The chart shows, in percentage terms, how an investment held on the first day of each fiscal period would have increased or decreased by the last day of the fiscal period.

### Year-by-Year Returns



\* Period from February 19, 2002 (commencement of operations) to December 31, 2002.

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

The following table shows the Fund's compound return for the six months ended June 30, 2007 and annual compound return since inception, compared with the S&P/TSX Capped Income Trust Index ("Income Trust Index"). The Income Trust Index is a broad-based composite index which may encompass any or all Global Industry Classification Standard sectors of the income trust marketplace. Income trusts that qualify for inclusion must derive their distribution income from actual operating entities. The Income Trust 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 VIP Income Fund <sup>(2)</sup>	13.5%	18.3%
S&P/TSX Capped Income Trust Index	10.1%	20.7%

<sup>(1)</sup> Period from February 19, 2002 (commencement of operations) to June 30, 2007.

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

The Fund generated a high total return of 13.5% over the first six months of 2007, outperforming the Income Trust Index during that period. This outperformance was mainly due to the Fund's greater allocation to business trusts, which represents 56% of the portfolio. This more than compensated for the weaker performance of the Fund's fixed income portfolio as the US high-yield bond market as measured by the Merrill Lynch Master II Index only returned 3.1% during the period. Since inception, the Fund has provided investors with robust compound annual returns of 18.3%. The Fund has achieved these strong returns, while being significantly overweight in business trusts and underweight in the more volatile oil and gas trusts and by allocating a significant portion of the portfolio to fixed income investments to provide additional diversification benefits.

## Summary of Investment Portfolio

As at June 30, 2007

Total Published NAV	\$ 119,990,288
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Portfolio Composition	% of Portfolio	% of Published NAV
Business funds	55.9%	70.4%
Fixed income investments	15.7%	19.8%
Real estate investment trusts	15.4%	19.4%
Oil and gas funds	9.5%	12.0%
Power and pipeline funds	2.6%	3.3%
Cash and short-term investments	0.9%	1.1%
Total investment portfolio	100.0%	126.0%
Other net liabilities		(26.0%)
Total Published NAV		100.0%

Top 25 Holdings	% of Portfolio	% of Published NAV
Davis + Henderson Income Fund	6.0%	7.5%
Gateway Casinos Income Fund	5.5%	6.9%
Energy Savings Income Fund	4.6%	5.8%
Northern Property REIT	4.0%	5.1%
Canadian Oil Sands Trust	3.8%	4.8%
BFI Canada Income Fund	3.5%	4.4%
Altus Group Income Fund	3.3%	4.2%
Boston Pizza Royalties Income Fund	3.1%	3.9%
RioCan REIT	2.8%	3.5%
Livingston International Income Fund	2.7%	3.4%
Northland Power Income Fund	2.6%	3.3%
TimberWest Forest Corp.	2.6%	3.3%
SIR Royalty Income Fund	2.5%	3.1%
The Keg Royalties Income Fund	2.3%	2.9%
Focus Energy Trust	2.0%	2.6%
Cineplex Galaxy Income Fund	2.0%	2.6%
Chemtrade Logistics Income Fund	2.0%	2.5%
ARC Energy Trust	1.9%	2.4%
Yellow Pages Income Fund	1.8%	2.3%
Huntingdon REIT	1.7%	2.2%
InnVest REIT	1.7%	2.1%
The Data Group Income Fund	1.6%	2.1%
Primaris Retail REIT	1.6%	2.0%
Cargojet Income Fund	1.6%	2.0%
H&R REIT	1.5%	1.9%

*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.*

## Portfolio Manager

### MFC Global Investment Management

The Fund is actively managed by MFC, a subsidiary of Manulife Financial Corp. and a top-ranked portfolio manager of income fund investments with extensive experience in income trusts and high-yield fixed income investments. The portfolio management team has provided investors with top percentile risk-adjusted returns over the past five years based on the universe of Canadian mutual funds rated by Morningstar. With over 100 years of experience and \$230 billion in assets under management, MFC is a leading investment management company.

## Portfolio Manager's Report

The Brompton VIP Income Fund returned 13.5% over six-month period, while the S&P/TSX Canadian Income Trust Index, a broad measure of income trust performance, returned 10.1%.

During the six month period ended June 30, 2007, the portfolio managers reduced the cash and bond positions within the portfolio and redeployed the assets into income trust securities. As of the end of June, the trust component of the Fund stood at 83% of the portfolio, while bonds were reduced from 18% to 16%. During the period, the income trust market was driven by merger and acquisition activity. Numerous trusts announced plans to initiate a process to identify and evaluate strategic alternatives available to maximize unitholder value. Within the portfolio Gateway Casinos Corp., Summit Real Estate Investment Trust, and Canada Cartage Diversified Income Fund each received takeover bids. The portfolio managers anticipate that the acquisition activity within the trust market will continue, as more trusts implement strategic reviews.

The Fund under-weighted the Resource sub-index for the period, which detracted from performance. The decision to underweight Resources was based on valuation, as a significant amount of speculation over potential acquisitions had been pushing valuations higher. The Fund also under-weighted the Energy sector, which contributed positively to performance.

The US high-yield market returned 3.14% in the first half of the year, as measured by the Merrill Lynch Master II Index (Constrained), compared to a loss of 0.43% for 10-year US Treasuries. The bulk of this gain was made in the first quarter. For the fixed income component of the portfolio, portfolio activity has been modest, and directed towards maintaining book yield. The Fund's conservative positioning has hurt performance, as lower-quality issues have outperformed. The portfolio managers have selectively added lower-quality names to the portfolio to boost yield. They reduced exposure to the high-yield market overall, as spreads appeared tight.

Within the income trust sector, the portfolio managers continue to expect heightened activity as many trusts remain attractively valued, even after considering the potential tax implications as outlined by the federal government back in October 2006, and become potential takeover, merger or privatization targets.

The portfolio managers will continue to ensure the Fund's sources of income and return are diversified across asset classes. The portfolio managers are confident that the Fund's disciplined investment style and diversified holdings make it well positioned to continue meeting its objectives of generating income and preserving capital.



## 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 Net Assets (Unaudited)

As at	June 30, 2007	Dec. 31, 2006
<b>Assets</b>		
Investments, at market value	\$ 149,232,501	\$ 160,930,106
Cash and short-term investments	1,357,498	18,809,051
Income receivable	1,096,063	1,497,469
Other assets	—	21,252
<b>Total assets</b>	<b>151,686,062</b>	<b>181,257,878</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	258,973	339,630
Distributions payable to unitholders (note 5)	727,240	752,845
Redemptions payable to unitholders	—	25,914,385
Loans payable (note 9)	31,323,234	40,902,087
<b>Total liabilities</b>	<b>32,309,447</b>	<b>67,908,947</b>
<b>Unitholders' equity</b>		
Unitholders' capital (note 4)	91,662,210	94,889,492
Retained earnings	27,714,405	18,459,439
<b>Net assets representing unitholders' equity</b>	<b>\$ 119,376,615</b>	<b>\$ 113,348,931</b>
<b>Units outstanding (note 4)</b>	<b>8,080,439</b>	<b>8,364,939</b>
<b>Net asset value per unit</b>	<b>\$ 14.77</b>	<b>\$ 13.55</b>

## Statements of Operations and Retained Earnings (Unaudited)

For the six months ended June 30	2007	2006 <sup>(1)</sup>
<b>Income</b>		
Distributions from income funds	\$ 4,906,347	\$ 6,318,465
Securities lending income (note 8)	45,832	—
Interest income	1,079,175	1,327,408
	<b>6,031,354</b>	<b>7,645,873</b>
<b>Expenses</b>		
Management fees (note 6)	553,615	716,442
Service fees (note 6)	234,662	307,542
Audit fees	12,265	4,794
Trustee fees	16,910	12,014
Custodial fees	13,290	9,489
Legal fees	7,386	30,888
Unitholder reporting costs	8,833	13,031
Other administrative expenses	23,690	34,633
Interest and bank charges (note 9)	725,239	910,628
	<b>1,595,890</b>	<b>2,039,461</b>
<b>Net investment income</b>	<b>4,435,464</b>	<b>5,606,412</b>
Net realized gain on sale of investments (note 7)	1,864,020	5,960,972
Transaction costs (note 2)	(29,849)	—
Net realized gain on loans payable (note 9)	70,922	167,066
Net change in unrealized gain (loss) on investments and foreign currency transactions	6,580,249	(10,275,425)
Net change in unrealized gain on loans payable (note 9)	1,982,588	1,158,352
<b>Increase in net assets from operations</b>	<b>14,903,394</b>	<b>2,617,377</b>
Retained earnings, beginning of period (note 3)	17,834,032	36,576,657
Excess of stated value paid on repurchase of units	(606,385)	(607,480)
Distributions to unitholders (note 5)	(4,416,636)	(5,274,767)
<b>Retained earnings, end of period</b>	<b>\$ 27,714,405</b>	<b>\$ 33,311,787</b>
<b>Increase in net assets from operations per unit<sup>(2)</sup></b>	<b>\$ 1.82</b>	<b>\$ 0.25</b>

<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 units 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>		
Increase in net assets from operations	\$ 14,903,394	\$ 2,617,377
Adjustments to reconcile net cash provided by (used in) operations:		
Net realized gain on sale of investments (note 7)	(1,864,020)	(5,960,972)
Net realized gain on loans payable	(70,922)	(167,066)
Net change in unrealized (gain) loss on investments	(6,580,189)	10,275,425
Net change in unrealized gain on loans payable	(1,982,588)	(1,158,352)
Decrease in other assets	21,252	12,415
Decrease in income receivable	401,406	448,626
Decrease in accounts payable and accrued liabilities	(80,657)	(110,766)
Purchase of investments (note 7)	(4,484,988)	(17,593,940)
Proceeds from sale of investments (note 7)	24,001,395	29,422,727
<b>Cash provided by (used in) operating activities</b>	<b>24,264,083</b>	<b>17,785,474</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in loans payable	(7,525,343)	9,404,934
Distributions paid to unitholders (note 5)	(4,442,241)	(5,273,215)
Repurchase of units (note 4)	(3,833,667)	(3,387,174)
Amounts paid for redemption of units (note 4)	(25,914,385)	(21,118,189)
<b>Cash provided by (used in) financing activities</b>	<b>(41,715,636)</b>	<b>(20,373,644)</b>
Decrease in cash and short-term investments	(17,451,553)	(2,588,170)
Cash and short-term investments, beginning of period	18,809,051	3,904,893
<b>Cash and short-term investments, end of period</b>	<b>\$ 1,357,498</b>	<b>\$ 1,316,723</b>
<b>Supplemental information:</b>		
Interest paid	\$ 744,545	\$ 890,671

## Statements of Changes in Net Assets (Unaudited)

For the six months ended June 30	2007	2006 <sup>(1)</sup>
Net assets, beginning of period (note 3)	\$ 112,723,524	\$ 157,760,584
<b>Operations:</b>		
Increase in net assets from operations	14,903,394	2,617,377
<b>Unitholder transactions:</b>		
Distributions to unitholders (note 5)	(4,416,636)	(5,274,767)
Repurchase of units (note 4)	(3,833,667)	(3,387,174)
Total unitholder transactions	(8,250,303)	(8,661,941)
Net increase (decrease) in net assets	6,653,091	(6,044,564)
<b>Net assets, end of period</b>	<b>\$ 119,376,615</b>	<b>\$ 151,716,020</b>
<b>Distributions per unit</b>	<b>\$ 0.54</b>	<b>\$ 0.50</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 (CAD)	Market Value (CAD)	% of Portfolio
<b>No. of Units</b>	<b>Business Funds</b>			
387,000	Altus Group Income Fund	\$ 4,603,190	\$ 5,011,650	
78,712	Armtec Infrastructure Income Fund	928,220	1,511,270	
66,500	Bell Aliant Regional Communications Income Fund	2,239,205	2,084,775	
189,200	BFI Canada Income Fund	2,965,538	5,310,844	
323,400	Boston Pizza Royalties Income Fund	4,386,626	4,708,704	
98,500	Canada Cartage Diversified Income Fund	985,000	1,111,080	
182,000	Cargojet Income Fund	1,790,400	2,366,000	
303,560	Chemtrade Logistics Income Fund	3,908,511	2,947,568	
80,000	CI Financial Income Fund	2,252,805	22,164,000	
174,800	Cineplex Galaxy Income Fund	2,226,661	3,059,000	
466,266	Davis + Henderson Income Fund	6,979,879	8,975,621	
457,000	Energy Savings Income Fund	5,008,720	6,950,970	
330,000	Gateway Casinos Income Fund	4,288,714	8,279,700	
50,900	K-Bro Linen Income Fund	719,650	702,420	
203,855	Livingston International Income Fund	3,061,359	4,128,064	
81,400	North West Company Fund	685,738	1,538,460	
134,000	Pizza Pizza Royalty Income Fund	1,323,920	1,293,100	
55,000	Precision Drilling Trust	2,028,340	1,427,250	
127,600	Richards Packaging Income Fund	1,002,683	1,200,716	
16,660	Second Cup Royalty Income Fund	161,602	174,930	
382,600	SIR Royalty Income Fund	3,736,770	3,749,480	
24,700	Sleep Country Canada Income Fund	524,875	575,510	
157,000	Student Transportation of America IPS	1,845,404	1,863,590	
68,672	Sun Gro Horticulture Income Fund	592,355	515,727	
226,200	The Data Group Income Fund	2,264,070	2,445,222	
253,100	The Keg Royalties Income Fund	2,783,766	3,409,257	
217,500	TimberWest Forest Corp.	3,011,948	3,904,125	
197,542	Yellow Pages Income Fund	2,968,935	2,741,883	
		<b>69,274,884</b>	<b>84,150,916</b>	<b>56.4%</b>
<b>No. of Units</b>	<b>Oil and Gas Funds</b>			
131,398	ARC Energy Trust	2,343,462	2,844,767	
38,000	Bonavista Energy Trust	874,193	1,155,960	
173,085	Canadian Oil Sands Trust	2,436,645	5,701,420	
30,930	Enerplus Resources Fund	846,129	1,548,665	
173,340	Focus Energy Trust	3,066,972	3,035,183	
		<b>9,567,401</b>	<b>14,285,995</b>	<b>9.6%</b>
<b>No. of Units</b>	<b>Real Estate Investment Trusts</b>			
40,000	Canadian Apartment Properties REIT	646,000	776,800	
57,700	Canadian Hotel Income Properties REIT	527,701	893,196	
100,000	Chartwell Seniors Housing REIT	1,370,255	1,494,000	
97,225	H&R REIT	1,360,921	2,230,342	
1,092,000	Huntingdon REIT	3,003,000	2,609,880	
204,000	InnVest REIT	2,234,460	2,496,960	
264,700	Northern Property REIT	3,678,028	6,090,747	
125,000	Primaris Retail REIT	1,270,893	2,395,000	
179,400	RioCan REIT	2,694,451	4,223,076	
		<b>16,785,709</b>	<b>23,210,001</b>	<b>15.6%</b>
<b>No. of Units</b>	<b>Power and Pipeline Funds</b>			
299,300	Northland Power Income Fund	3,929,017	3,959,739	
		<b>3,929,017</b>	<b>3,959,739</b>	<b>2.7%</b>

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

## Statement of Investments (Unaudited) (continued)

As at June 30, 2007		Cost (USD)	Cost (CAD)	Market Value (USD)	Market Value (CAD)	% of Portfolio
<b>Par Value (\$)</b>	<b>Fixed Income Investments</b>					
US 600,000	Ace Cash Express Inc. 10.25%, due October 1, 2014	\$ 603,000	\$ 673,569	\$ 616,500	\$ 652,611	
US 300,000	Actuant Corporation 144A Call 6.625%, due June 15, 2017	298,821	318,693	298,500	315,934	
US 50,000	Ahern Rentals Inc. 9.25%, due August 12, 2013	50,000	60,030	50,875	53,852	
US 250,000	Alimentation Couche-Tard Inc. 7.5%, due December 15, 2013	252,808	280,364	253,125	267,932	
US 431,000	Alliance Imaging 7.25%, due December 15, 2012	397,562	474,641	420,225	444,722	
US 300,000	AMC Entertainment Inc. 8%, due March 1, 2014	290,966	333,186	295,500	312,743	
US 160,000	Anixter Inc. 5.95%, due March 1, 2015	146,202	168,249	150,400	159,137	
US 24,000	AT & T Corp 7.3%, due November 15, 2011	27,029	32,246	25,572	27,176	
CDN 1,100,000	Avenor Inc. 10.85%, due November 30, 2014	—	1,255,273	—	1,210,000	
US 500,000	Baytex Energy Trust 9.625%, due July 15, 2010	524,700	569,771	520,000	550,491	
US 350,000	Cascades Inc. 7.25%, due February 15, 2013	322,248	375,243	342,125	362,074	
US 200,000	Celestica Inc. 7.875%, due July 1, 2011	204,316	231,633	196,589	208,481	
US 25,000	Cendant Car Rental Group LLC 7.625%, due May 15, 2014	25,000	28,790	26,250	27,790	
US 225,000	Cendant Car Rental Group LLC 7.75%, due May 15, 2016	219,545	248,431	236,812	251,311	
US 200,000	Century Aluminum Co. 7.5%, due August 15, 2014	204,547	252,780	202,750	214,612	
US 1,295,000	Charter Communications Holdings, LLC 10.25%, due September 15, 2010	1,313,181	1,589,169	1,359,750	1,439,547	
US 250,000	Cogentrix Energy Inc. 8.75%, due October 15, 2008	63,729	325,312	259,450	275,908	
US 306,000	Columbia/HCA Healthcare Corporation 8.36%, due April 15, 2024	287,811	339,710	283,671	300,128	
US 80,000	Columbus McKinnon Corp. 8.875% due November 1, 2013	80,032	95,471	85,000	89,993	
US 800,000	Dollarama Group LP 8.875%, due August 15, 2012	794,750	943,670	827,732	879,603	
US 250,000	Fontainebleau Las Vegas Holdings LLC 10.25%, June 15, 2015	250,000	265,275	247,500	261,949	
US 500,000	Foot Locker Inc. 8.5%, due January 15, 2022	524,584	668,573	510,000	539,853	
US 271,000	FTD Inc. 7.75%, due February 15, 2014	273,316	334,153	269,645	285,394	
US 170,000	Gaylord Entertainment Co. 8%, due November 15, 2013	174,609	193,642	173,187	183,324	
US 400,000	GSC Holdings Corp. 8.865%, due October 1, 2011	403,847	466,161	411,720	435,840	
US 800,000	Harrahs Operating Co. 5.625%, due June 1, 2015	669,644	762,456	652,988	693,565	
US 45,000	HCA Inc. 9.25%, due November 15, 2016	45,000	51,471	48,038	50,980	
US 542,000	Herbst Gaming Inc. 8.125%, due June 1, 2012	565,865	640,750	550,130	582,318	
US 150,000	Hilton Hotels Corp. 7.5%, due December 15, 2017	156,062	172,168	150,938	159,762	
US 815,000	Intelsat Ltd. 7.625%, due April 15, 2012	736,211	907,373	731,463	773,759	
US 800,000	Iron Mountain Inc. 7.75%, due January 15, 2015	815,816	1,045,028	784,000	829,725	
US 500,000	Masonite International Corp 11%, due April 6, 2015	484,672	571,311	465,000	494,644	
US 150,000	Metals USA Inc. 11.125%, due December 1, 2015	150,000	177,465	163,500	173,923	
US 500,000	MetroPCS Wireless Inc. 9.25%, due November 1, 2014	500,000	560,550	516,250	549,161	
US 250,000	MGM Mirage 7.5%, due June 1, 2016	250,000	272,350	238,437	252,30	
US 125,000	MGM Mirage 7.625%, due January 15, 2017	125,000	145,150	119,531	126,487	
US 500,000	Neff Corp. 10%, due June 1, 2015	510,050	553,863	501,250	530,546	
US 200,000	Network Communications Inc. 10.75%, due December 1, 2013	197,382	231,726	210,000	222,324	
US 800,000	Nextel Communications Inc. 6.875%, due October 31, 2013	839,283	1,006,658	794,756	844,643	
US 50,000	Novelis Inc. 7.25%, due July 15, 2015	46,470	55,099	51,563	54,584	
US 100,000	NXP Funding LLC, 7.87%, due October 15, 2014	100,000	113,150	98,625	104,381	
US 100,000	Omega Healthcare Investors, Inc. 7%, due January 15, 2016	99,422	116,692	100,000	105,843	
US 500,000	OPTI Canada Inc. 8.25%, December 15, 2014	533,125	590,809	510,000	539,853	
US 250,000	Outback Steakhouse Inc. SR NT 144A Call 9.625%, due May 15, 2015	250,595	268,363	240,000	253,970	
US 250,000	Owens-Brockway Glass Container Inc. 8.75%, due November 15, 2012	270,000	315,402	261,875	277,905	
US 340,000	R.H. Donnelley Corp. 8.875%, due January 15, 2016	344,038	403,797	355,300	376,142	
US 920,000	Rite Aid Corporation 8.125%, due May 1, 2010	963,654	1,152,802	934,950	989,660	
US 500,000	Seagate Technology 6.375%, due October 11, 2011	498,415	558,324	490,000	518,578	
CDN 500,000	Shaw Communications Inc. 6.15%, due May 9, 2016	—	490,260	—	486,746	
CDN 500,000	Shaw Communications Inc. 7.5%, due November 20, 2013	—	517,882	—	525,174	
CDN 250,000	Sherritt International Corporation 7.875%, due November 26, 2012	—	250,000	—	256,780	
US 100,000	Snoqualmie Entertainment Authority 9.125%, due February 1, 2015	100,000	118,090	103,000	109,034	
US 500,000	Stater Bros. Holdings Inc. 8.125%, due June 15, 2012	507,653	610,711	506,250	535,864	
US 170,000	Stratos Global Corporation 9.875%, due February 15, 2013	160,556	182,071	181,475	192,140	
US 95,000	Syniverse Technologies Inc. 7.75%, due August 15, 2013	96,461	115,742	91,200	96,509	
US 400,000	Teekay Shipping Corporation 8.875%, due July 15, 2011	448,241	565,971	426,000	451,030	
US 350,000	Western Oil Sands Inc. 8.375%, due May 1, 2012	370,961	508,926	384,563	407,217	
US 125,000	Westlake Chemical Corp. 6.625%, due January 15, 2016	125,154	144,278	119,063	125,988	
US 500,000	William Scotsman Inc. 8.5%, October 1, 2015	510,946	564,223	518,750	549,161	
US 520,000	Wind Acquisition Fin. SA. 10.75%, due December 1, 2015	556,015	633,822	599,300	634,741	
		<b>19,959,292</b>	<b>25,898,768</b>	<b>19,961,071</b>	<b>23,625,850</b>	<b>15.8%</b>
	<b>Embedded Broker Commission (note 2)</b>		<b>(10,773)</b>		<b>—</b>	
	<b>Total</b>	<b>\$ 19,959,292</b>	<b>\$ 125,445,006</b>	<b>\$ 138,040,116</b>	<b>\$ 149,232,501</b>	<b>100.00%</b>

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

## Notes to the Financial Statements (Unaudited)

June 30, 2007

### 1. OPERATIONS

Brompton VIP Income Fund (the “Fund”) is a closed-end investment trust created under the laws of the Province of Ontario on October 25, 2001 pursuant to an amended and restated declaration of trust. In 2005, the name of the Fund was changed from Brompton VIP Income Trust to Brompton VIP Income Fund. Computershare Trust Company of Canada is the Trustee and Brompton Funds Management Limited (the “Manager”) is responsible for managing the affairs of the Fund. MFC Global Investment Management, a subsidiary of Manulife Financial Corp., manages the Fund’s portfolio. RBC Dexia Investor Services Trust is the custodian of the Fund’s assets and prepares the weekly valuations of the Fund. The Fund is listed on the Toronto Stock Exchange and commenced operations on February 19, 2002.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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 Statement 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	\$ 119,990,288	(613,673)	\$ 119,376,615
Net asset value per unit	\$ 14.85	(0.08)	\$ 14.77

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 \$625,407.

### 4. UNITS OF THE FUND

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Fund. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Fund. Units may be redeemed at the option of unitholders by tendering units of the Fund at least 20 business days prior to the second last business day of December (“Redemption Valuation Date”). Redemption of tendered units will be settled based on the Published NAV per unit on the Redemption Valuation Date less associated costs of the redemption, including brokerage costs. Units tendered for redemption will be redeemed effective on the Redemption Valuation Date of each year and will be settled on or before the twentieth business day in January.

The Fund received approval from the Toronto Stock Exchange for a normal course issuer bid for the period from November 8, 2006 to November 7, 2007. Pursuant to the issuer bid, the Fund is permitted to purchase up to 1,029,100 units for cancellation. The Fund may only repurchase units when the Published NAV per unit exceeds its trading price. During the period ended June 30, 2007, 284,500 (2006 – 245,043) units were purchased for cancellation.

The weighted average number of units outstanding for the six months ended June 30, 2007, was 8,200,075 (2006 – 10,608,909).

### 5. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions, as declared by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable by the tenth business day of the following month. For the six months ended June 30, 2007, the Fund declared total distributions of \$0.54 (2006 – \$0.50) per unit, which amounted to \$4,416,636 (2006 – \$5,274,767). Under the Fund’s distribution reinvestment plan, unitholders may elect to reinvest monthly distributions in additional units of the Fund, which may be issued from treasury or purchased in the open market. For the six months ended June 30, 2007, nil (2006 – nil) units in respect of distributions were issued by the Fund.

### 6. MANAGEMENT AND SERVICE FEES

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.85% per annum of the Published NAV of the Fund plus applicable taxes. The Manager is responsible for paying fees of MFC Global Investment Management for the portfolio management services it provides the Fund. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Published NAV of the Fund. The service fee is in turn paid by the Manager to investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

### 7. INVESTMENT TRANSACTIONS

Investment transactions for the six months ended June 30 were as follows:

	2007 <sup>(1)</sup>	2006
Proceeds from sale of investments	\$ 24,001,395	\$ 33,872,727
Less cost of investments sold:		
Investments at cost, beginning of period	143,097,393	166,936,225
Investments purchased during the period	4,484,988	17,593,940
Investments at cost, end of period	(125,445,006)	(156,618,410)
Cost of investments sold during the period	22,137,375	27,911,755
Net realized gain on sale of investments	\$ 1,864,020	\$ 5,960,972

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

Foreign exchange losses arising from the disposition of investments of \$39,405 (2006 – \$472,174) are included in the net realized gain of \$1,864,020 (2006 – \$5,960,972) above.

Brokerage commissions on investments purchased and sold during the period ended June 30, 2007 amounted to \$29,849 (2006 – \$41,026). For the periods ended June 30, 2007 and 2006, there were no soft dollar amounts paid.

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

### 8. SECURITIES LENDING

The Fund entered into a securities lending program in August 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 of the United States Government or its agencies, or a permitted supranational agency as defined in National Instrument 81-102. The market value of the securities on loan and the related collateral at June 30, 2007, were \$12.1 million and \$13.1 million, respectively.

### 9. LOANS PAYABLE

Pursuant to an agreement with a Canadian chartered bank, the Fund maintains a 364-day revolving credit facility and two term credit facilities. The revolving credit facility provides for maximum borrowings of \$23.0 million with borrowings in Canadian currency at either the prime rate of interest or the bankers' acceptance rate plus a fixed percentage or in US currency at the LIBOR rate plus a fixed percentage. There was \$9.0 million outstanding under this facility as at June 30, 2007. Under its term credit facilities, the Fund has borrowed US\$13.0 million at a fixed rate of interest of 3.89% for a five-year period ending May 28, 2008 and US\$8.0 million for a five-year term to July 14, 2010 at a fixed rate of interest of 4.86%. These loans represent \$22.4 million of the total borrowings at June 30, 2007.

During the period ended June 30, 2007, the Fund realized a foreign exchange gain in the amount of \$70,922 (2006 – gain of \$167,066) on the repayment of borrowings in US dollars under the revolving credit facility. At June 30, 2007, borrowings in US dollars had an unrealized foreign exchange gain of \$4,477,568 (2006 – gain of \$3,812,728). The credit facilities are secured by a first-ranking and exclusive charge on all of the Fund's assets. During the six months ended June 30, 2007, the minimum and maximum amounts of borrowings were \$30.3 million (2006 – \$28.8 million) and \$43.3 million (2006 – \$44.7 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

Contact: **David E. Roode**  
Phone: 416-642-6008  
Email: [roode@bromptongroup.com](mailto:roode@bromptongroup.com)

### Trustee

Computershare Trust Company  
of Canada

### Custodian

RBC Dexia Investor Services Trust

### Auditors

PricewaterhouseCoopers LLP

### Banker

Bank of Nova Scotia

### Website

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