

**Dividend 15 Split Corp.**

*2005 Annual Report*

*DIVIDEND*  *15 SPLIT*

*This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.*

*Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.*

*The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund's views to change, the Fund does not undertake to update any forward-looking statements.*

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## Board of Directors

Wayne Finch, Chairman and Chief Investment Officer	Peter Cruickshank, Managing Director and Chief Financial Officer
Laura Johnson, Managing Director and Portfolio Manager	William Thornhill, President, William C. Thornhill Consulting Inc.
Michael W. Sharp Blake, Cassels & Graydon LLP	John Steep Consultant

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## Corporate Details

### Auditors

PricewaterhouseCoopers LLP  
77 King Street West, P.O. Box 82  
Toronto, Ontario M5K 1G8

### Transfer Agent

Computershare  
100 University Avenue  
Toronto, Ontario M5J 2Y1

### Legal Counsel

Blake, Cassels & Graydon LLP  
Commerce Court West  
Toronto, Ontario M5L 1A9

### Custodian

RBC Dexia  
Royal Trust Tower, 77 King Street West  
11<sup>th</sup> Floor, Toronto, Ontario M5W 1P9

# Annual Management Report of Fund Performance

November 30, 2005

This is the first annual **Management Report of Fund Performance (MRFP)** of Dividend 15 Split Corp. The MRFP is a new requirement of securities regulators in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure) which has been designed to supplement the annual and semi annual financial statements. This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Company. The annual financial statements and accompanying notes are attached behind this report.

Investors may also obtain a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at [www.dividend15.com](http://www.dividend15.com) or by writing to the Fund at Investor Relations, Royal Trust Tower, 77 King Street West, P.O. Box 341, Toronto, Ontario, M5K 1K7.

If you wish to continue to receive financial reports by mail, please complete the form on the inside of the back cover of this annual report. We will continue to follow these instructions and mail your requested reports to the address on file until you contact us to change them. No action is required if you do not wish to receive financial reports from Dividend 15 Split Corp. These reports are available to view and download at [www.dividend15.com](http://www.dividend15.com) or [www.sedar.com](http://www.sedar.com)

## Investment Objectives and Strategies

Dividend 15 Split Corp invests in a portfolio of dividend yielding common shares, which will include each of the 15 Canadian companies listed below:

Bank of Montreal	National Bank of Canada
The Bank of Nova Scotia	Royal Bank of Canada
BCE Inc.	TELUS Corporation
Canadian Imperial Bank of Commerce	The Thomson Corporation
CI Financial Inc.	The Toronto-Dominion Bank
Dofasco Inc.	TransAlta Corporation
Enbridge Inc.	TransCanada Corporation
Falconbridge Limited	

The Company may also invest up to 15% of the Net Asset Value in equity securities of issuers other than the 15 companies listed above. In order to supplement the dividends received on the Portfolio and to reduce risk, the Company will from time to time write covered call options in respect of some or all of the common shares of the portfolio.

The Company offers two types of shares:

### Preferred Shares

The investment objectives with respect to the Preferred Shares are as follows:

- 1) to provide holders with fixed cumulative preferential monthly cash dividends in the amount of \$0.04375 per Preferred Share to yield 5.25% per annum on the original issue price; and
- 2) on or about December 1, 2009 (the termination date) to pay holders the original issue price (\$10) of the Preferred shares

### Class A Shares

The investment objectives with respect to the Class A shares are as follows:

- 1) to provide with regular monthly cash dividends initially targeted to be \$0.10 per Class A shares to yield 8% per annum on the original issue price; and
- 2) on or about December 1, 2009 (the termination date), to pay holders at least the original issue price (\$15) of those shares

## Risk

The risks of investing in the Company remain as discussed in the Annual Information Form dated March 29, 2006.

## Results of Operations

The Company exceeded its distribution objectives during 2005 while also increasing the net asset value by \$3.25 per unit to \$27.78 (after all distributions paid) as at November 30, 2005. In addition to the regular distributions paid, the Class A shares received two special distributions of 25 cents each in August and September. At November 30, 2005 the Company's portfolio remained primarily invested in the 15 core Canadian large capitalization companies which rank among the highest dividend yielding stocks on the TSX. The dividend income in the portfolio continues to be supplemented by a limited covered call writing program which provides some additional income to the portfolio while also providing some downside protection to the portfolio. The financial services and utility stocks continued to benefit throughout 2005 as a result of relatively low interest rates while the resource stocks in the portfolio have seen dramatic increases in earnings as a result of increasing global economic growth which has fuelled higher commodity prices.

## Distributions

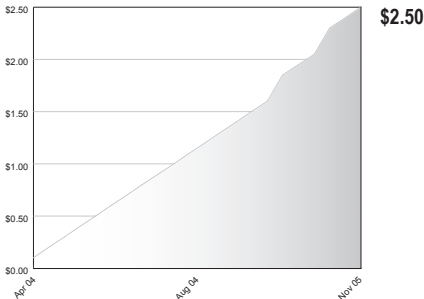
### Class A Shares – Distributions

Class A shareholders are entitled to receive regular monthly cash dividends initially targeted to be \$0.10 per Class A Share to yield 8.0% per annum on the original issue price. Distributions paid during the year included the twelve regular monthly cash distributions plus two special distributions of \$0.25 per share for a total of \$1.70 per share.

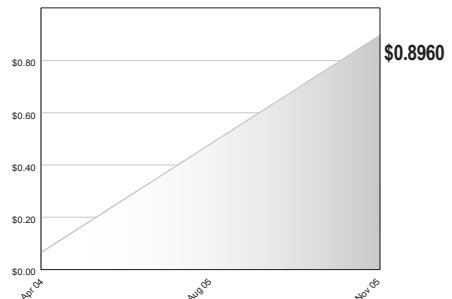
### Preferred Shares – Distributions

Preferred shareholders are entitled to fixed, cumulative preferential monthly cash dividends in the amount of \$0.04375 per Preferred Share to yield 5.25% per annum on the original issue price. Distributions paid during the year were at the fixed rate for a total of \$0.53 per share.

### Cumulative Distributions since inception



### Cumulative Distributions since inception



## Recent Developments

The Federal government's November 23, 2005 proposal to reduce federal taxes on ordinary dividend income received from Canadian corporations would, if enacted, be beneficial to shareholders of Dividend 15 Split Corp. as the mutual fund corporation pays ordinary dividends and capital gains dividends (which also enjoy favourable after-tax treatment).

If the proposal is enacted, both Preferred shareholders and Class A shareholders would benefit through the enhanced after-tax return they would receive on dividend payments.

## Related Party Transactions

None

## Management fees

The Investment Manager is entitled to a base management fee payable monthly in arrears at an annual rate equal to 0.65% of the Company's Net Asset Value calculated as at the last Valuation Date in each month

The Manager is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.1% of the Company's Net Asset Value calculated as at the last Valuation Date in each month.

Total management fees of \$1,665,326 paid for the year ended November 30, 2005 include the base management fee and the administration fee. The base management fee was used by the Investment Manager to pay costs for the managing of the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used for providing or arranging for administrative services required by the Company including all operational, financial accounting, shareholder reporting and fulfilling all regulatory reporting requirements.

In addition, the Investment Manager is also entitled to receive a performance fee subject to the achievement of certain pre-established total thresholds. The Company achieved a total net asset value per unit return of 24.9% including cash distributions for the year ending November 30, 2005. This return exceeded the minimum bonus threshold amount of 12% per annum and allowed the Investment Manager to earn a performance fee of 20% of the excess return over 12% which was the equivalent of 63.3 cents per unit.

## Summary of Investment Portfolio

### All holdings as at November 30, 2005

Canadian Imperial Bank of Commerce	8.9 %
TransAlta Corporation	7.8 %
BCE Inc.	7.3 %
Royal Bank of Canada	6.4 %
CI Fund Management Inc.	6.2 %
National Bank Canada	6.0 %
Bank of Montreal	5.5 %
AGF Management Ltd.	5.2 %
Manulife Financial	5.2 %
Falconbridge Limited	5.1 %
Thomson Corporation	5.1 %
Toronto-Dominion Bank	4.7 %
Telus Corporation	4.2 %
Sun Life Financial	4.1 %
Enbridge Inc.	4.0 %
Bank of Nova Scotia	3.6 %
TransCanada Corp.	3.6 %
Dofasco Inc.	2.3 %
Telus Corporation	1.1 %
Total long positions as a percentage of net assets	96.3 %
Other net assets	3.7 %

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund. Updates are available quarterly.

# Financial Highlights

The following tables show selected financial information about the Company and are intended to help you understand the Company's financial performance. This information is derived from the Company's audited annual financial statements.

## The Company's Net Asset Value (NAV) per unit

	<b>2005</b>	<b>2004</b> <sup>(2)</sup>
Net asset value per unit, beginning of year <sup>(1)</sup>	24.53	23.74 <sup>(3)</sup>
Increase (decrease) from operations		
Total revenue	0.78	0.45
Total expenses	(0.97)	(0.21)
Realized gains for the period	1.59	0.19
Unrealized gains for the period	4.07	1.53
Total increase (decrease) from operations <sup>(4)</sup>	<u>5.48</u>	<u>1.96</u>
Distributions <sup>(5)</sup>		
Taxable Dividends	(0.71)	(0.97)
Capital Gains	(1.51)	(0.2)
Total annual distributions	<u>(2.22)</u>	<u>(1.17)</u>
Net asset value per unit, as at November 30	27.78	24.53
Net asset value per Preferred share	10.00	10.00
Net asset value per Class A share	17.78	14.53
Net asset value per unit at November 30	<u>27.78</u>	<u>24.53</u>

<sup>(1)</sup> Net asset value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities excluding the Preferred shares of the Fund on that date divided by the number of units then outstanding

<sup>(2)</sup> Initial period was from March 16, 2004 (inception date) to November 30, 2004

<sup>(3)</sup> Initial net asset value per unit is after deducting all agents' fees and filing costs in connection with the initial public offering

<sup>(4)</sup> Total increase (decrease) from operations is before the payment of Preferred and Class A share distributions and is calculated based on the weighted average number of units outstanding during the year

<sup>(5)</sup> Distributions are to Preferred shares and Class A shares are based on the number of Preferred shares and Class A shares outstanding on the record date for each distribution and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors.

## Ratios And Supplemental Data

	2005	2004 <sup>(1)</sup>
Net assets (millions)	\$233.3	\$206.0
Number of units outstanding <sup>(2)</sup>	8,400,000	8,400,000
Base Management expense ratio <sup>(3)</sup>	1.30%	1.25%
Management expense ratio including one time initial offering expenses <sup>(4)</sup>	1.30%	6.58%
Management expense ratio with performance fee and one time initial offering expenses <sup>(5)</sup>	3.72%	6.58%
Portfolio turnover rate <sup>(6)</sup>	17.6%	7.2%
Trading expense ratio <sup>(7)</sup>	0.05%	0.12%
Closing market price (TSX): Preferred shares	\$10.90	\$10.68
Closing market price (TSX): Class A shares	\$18.40	\$13.77

<sup>(1)</sup> Results for the period March 16, 2004 (inception date) to November 30, 2004

<sup>(2)</sup> This information is provided as at November 30

<sup>(3)</sup> A separate base management expense ratio has been presented to reflect the normal operating expenses of the Fund excluding the one time initial offering expenses and performance fees. Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of average net assets during the period

<sup>(4)</sup> Share issue expenses, representing all Agents' fees and other offering expenses are one time initial expenses connected with the launch of the Company

<sup>(5)</sup> Performance fees occur in periods in which the total return per unit exceeds a pre established threshold

<sup>(6)</sup> The Company's portfolio turnover rate indicates how actively the Company's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds

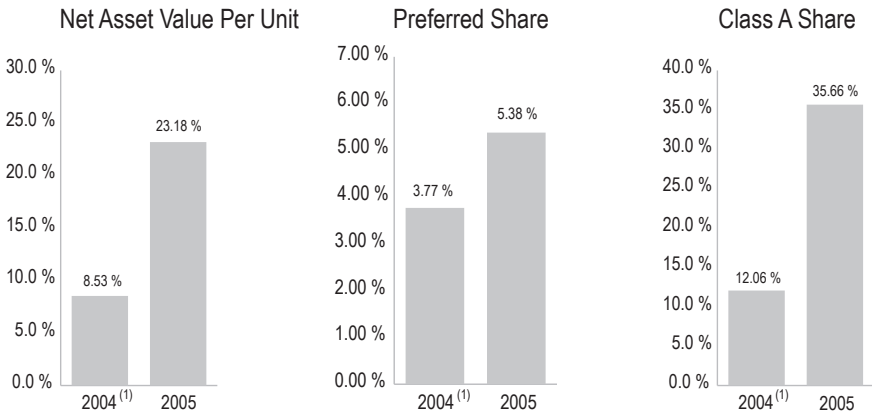
<sup>(7)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net assets during the period.

## Past Performance

The past performance of 1) the net asset value per unit (1 Preferred share and 1 Class A share) 2) the Preferred share on net asset value basis and the 3) Class A share on a net asset value basis for the annual periods ending November 30 is presented in the bar charts below.

With respect to the charts displayed below, please note the following:

- the performance information shown assumes that all cash distributions made by the Company during the periods shown were reinvested in the applicable additional securities of the Fund
- the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and
- past performance of the Company does not necessarily indicate how it will perform in the future.



<sup>(1)</sup> Based on initial period from March 16, 2004 (inception date) to November 30, 2004

## Annual Compound Performance

The following table shows the Fund's annual compound return for the period ended November 30, 2005:

	One Year	Since Inception
Dividend 15 Split Corp - Unit	23.18%	18.34%
Dividend 15 Split Corp - Preferred share	5.38%	5.36%
Dividend 15 Split Corp - Class A share	35.66%	27.37%
Benchmark Index <sup>(1)</sup>	N/A	N/A

<sup>(1)</sup> As a result of the Company being limited to a specific universe of stocks and that a covered call writing program is implemented to generate additional distributions, the investment profile of the Fund is quite unique and any comparisons with any other external market indices may not be appropriate.



# Auditors' Report

December 22, 2005

## Auditors' Report

### To the Shareholders of Dividend 15 Split Corp.

We have audited the statement of portfolio investments of **Dividend 15 Split Corp.** (the "Company") as at November 30, 2005, the statements of financial position as at November 30, 2005 and 2004 and the statements of operations and retained earnings, changes in shareholders' equity and cash flow for the year ended November 30, 2005 and the period from March 16, 2004 (date of commencement) to November 30, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2005 and 2004 and the results of its operations and cash flow for the year ended November 30, 2005 and the period from March 16, 2004 to November 30, 2004 in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

**Toronto, Ontario**

# Dividend 15 Split Corp.

## Statements of Financial Position

As at November 30

	2005	2004
	(\$)	(\$)
<b>Assets</b>		
Investments* - at market value	222,899,883	198,543,964
Cash	9,450,201	8,437,694
Interest, dividends and other receivables	501,771	537,894
Receivable in respect to investments sold	7,326,156	30,562
<b>Total Assets</b>	<b><u>240,178,011</u></b>	<b><u>207,550,114</u></b>
<b>Liabilities</b>		
Fees and other accounts payable	309,217	270,920
Accrued performance fee	5,314,680	-
Capital tax payable	-	9,000
Dividends payable	1,207,500	1,207,500
Preferred shares (note 3)	84,000,000	84,000,000
	<u>90,831,397</u>	<u>85,487,420</u>
<b>Shareholders' Equity</b>		
Class A and Class B shares (note 4)	115,421,000	115,421,000
Retained earnings	33,925,614	6,641,694
	<u>149,346,614</u>	<u>122,062,694</u>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b><u>240,178,011</u></b>	<b><u>207,550,114</u></b>
*cost \$175,768,908 (2005); \$185,668,248 (2004)		
Number of units (1 Preferred share and 1 Class A share) outstanding	8,400,000	8,400,000
Net asset value per unit	\$27.78	\$24.53
Net asset value per Preferred share	\$10.00	\$10.00
Net asset value per Class A share	\$17.78	\$14.53

Approved on behalf of the Board of Directors



**Wayne Finch**  
Chairman and  
Chief Investment Officer



**Peter Cruickshank**  
Managing Director and  
Chief Financial Officer

# Dividend 15 Split Corp.

## Statements of Operations and Retained Earnings

For the year ended November 30, 2005 and for the period March 16, 2004 to November 30, 2004

	2005	For the period March 16, 2004 to November 30, 2004
	(\$)	(\$)
<b>Income</b>		
Dividends	6,510,198	3,720,664
Interest	33,093	70,715
	<u>6,543,291</u>	<u>3,791,379</u>
<b>Expenses</b> (note 5)		
Management fees	1,665,326	1,071,009
Performance fees	5,314,680	-
Service fees	696,675	410,417
Audit fees	16,637	16,000
Directors' fees	43,500	31,962
Custodian fees	46,335	40,285
Legal fees	4,217	22,047
Shareholder reporting costs	3,043	8,361
Other operating expenses	251,411	63,140
Capital tax	400	9,000
Goods and services tax	142,133	87,697
	<u>8,184,357</u>	<u>1,759,918</u>
<b>Net investment income (loss) before distributions on Preferred shares</b>	<b>(1,641,066)</b>	<b>2,031,461</b>
<b>Distributions on Preferred shares</b> (note 3 and 6)	<b>(4,410,000)</b>	<b>(3,116,232)</b>
<b>Net investment (loss) for the year</b>	<b>(6,051,066)</b>	<b>(1,084,771)</b>
<b>Realized and unrealized gain (loss) on investments and options</b>		
Net realized gain on investments and options	13,330,232	1,600,244
Change in unrealized appreciation of investments	34,255,259	12,875,716
Change in unrealized appreciation (depreciation) of foreign exchange	29,495	(29,495)
<b>Net gain on investments and options for the year</b>	<b>47,614,986</b>	<b>14,446,465</b>
<b>Increase in net assets from operations for the year</b>	<b>41,563,920</b>	<b>13,361,694</b>
<b>Retained earnings - Beginning of year</b>	<b>6,641,694</b>	<b>-</b>
<b>Distributions on Class A shares</b> (note 4 and 6)	<b>(14,280,000)</b>	<b>(6,720,000)</b>
<b>Retained earnings - End of year</b>	<b>33,925,614</b>	<b>6,641,694</b>
<b>Increase in net assets from operations per Class A share</b>	<b>4.95</b>	<b>1.60</b>

# Dividend 15 Split Corp.

## Statements of Changes in Shareholders' Equity

For the year ended November 30, 2005 and for the period March 16, 2004 to November 30, 2004

	2005 (\$)	For the period March 16, 2004 to November 30, 2004 (\$)
<b>Shareholders' equity - Beginning of year</b>	<b>122,062,694</b>	-
<b>Increase in net assets from operations</b>	<b>41,563,920</b>	<b>13,361,694</b>
Gross proceeds from issue of Class A shares	-	126,000,000
Agents' fees and filing costs in connection with the initial public offering	-	(10,580,000)
Net proceeds from issue of Class A shares (note 4)	-	115,420,000
Net proceeds from issue of Class B shares (note 4)	-	1,000
Distributions on Class A shares		
From net realized gains	(8,920,232)	(515,473)
From return of capital	(5,359,768)	(6,204,527)
	<b>(14,280,000)</b>	<b>(6,720,000)</b>
<b>Increase in net assets for the year</b>	<b>27,283,920</b>	<b>122,062,694</b>
<b>Shareholders' equity - End of year</b>	<b>149,346,614</b>	<b>122,062,694</b>

# Dividend 15 Split Corp.

## Statements of Cash Flow

For the year ended November 30, 2005 and for the period March 16, 2004 to November 30, 2004

	2005 (\$)	For the period March 16, 2004 to November 30, 2004 (\$)
<b>Income</b>		
<b>Cash flow from Operating activities</b>		
Net investment (loss)	(6,051,066)	(1,084,771)
Proceeds from sale of investments	59,542,265	13,612,980
Purchase of investments	(36,312,693)	(197,680,984)
Net change in receivable balances	(7,259,471)	(568,456)
Net change in payable balances	5,343,977	1,487,420
Change in unrealized appreciation (depreciation) of foreign exchange	29,495	(29,495)
Cash flow from operations	15,292,507	(184,263,306)
<b>Cash flow from Shareholder activities</b>		
Gross proceeds from the issue of Class A shares and Preferred shares*	-	210,001,000
Agents' fee and filing costs in connection with the initial public offering	-	(10,580,000)
Distributions on Class A shares	(14,280,000)	(6,720,000)
Cash flow from Shareholder activities	(14,280,000)	192,701,000
Net increase in cash	1,012,507	8,437,694
Cash, beginning of year	8,437,694	0
<b>Cash, end of year</b>	<b>9,450,201</b>	<b>8,437,694</b>

\*includes 1,000 Class B shares

# Dividend 15 Split Corp.

## Statement of Portfolio Investments

As at November 30, 2005

No. of shares	Description	Average cost/ (Premiums received) (\$)	Market value(\$)
<b>Core 15 Canadian Common Equities</b>			
205,800	Bank of Montreal	11,214,230	12,903,660
191,600	Bank of Nova Scotia	7,155,303	8,556,856
615,000	BCE Inc.	17,081,462	16,992,450
275,000	Canadian Imperial Bank of Commerce	18,958,455	20,677,250
596,400	CI Financial Inc.	10,112,742	14,373,240
84,600	Dofasco Inc.	3,255,737	5,441,472
255,500	Enbridge Inc.	6,563,216	9,243,990
342,300	Falconbridge Limited	7,585,482	11,963,385
227,400	National Bank of Canada	10,169,793	14,044,224
166,900	Royal Bank of Canada	10,578,235	14,857,438
53,900	Telus Corporation	1,317,316	2,480,478
220,000	Telus Corporation (non-voting)	4,878,950	9,823,000
288,300	Thomson Corp.	12,059,274	11,828,949
183,000	Toronto-Dominion Bank	8,570,604	11,053,200
747,000	TransAlta Corporation	12,962,907	18,338,850
230,900	TransCanada Corporation	6,584,303	8,356,271
<b>Total Core Canadian Common Equities (85.7%)</b>		<b>149,048,009</b>	<b>190,934,713</b>
<b>Other Canadian Common Equities</b>			
548,700	AGF Management Limited	10,399,540	12,071,400
180,000	Manulife Financial	9,305,420	12,087,000
205,200	Sun Life Financial Inc.	7,402,131	9,511,020
<b>Total Other Canadian Common Equities (15.1%)</b>		<b>27,107,091</b>	<b>33,669,420</b>
<b>Total Canadian Common Equities (100.8%)</b>		<b>176,155,100</b>	<b>224,604,133</b>
<b>No. of Call Options written (100 shares per contract)</b>			
<b>Contracts Canadian call options written</b>			
(200)	Bank of Montreal, December 2005 @ \$58	(16,100)	(113,000)
(200)	Bank of Montreal, January 2006 @ \$60	(9,788)	(66,000)
(200)	Canadian Imperial Bank of Commerce, December 2005 @ \$76	(7,900)	(16,000)
(500)	Dofasco Inc., December 2005 @ \$44	(61,750)	(1,025,000)
(2,000)	Falconbridge Limited, December 2005 @ \$36	(174,000)	(70,000)
(300)	Manulife Financial, December 2005 @ \$62	(35,100)	(157,500)
(200)	Manulife Financial, December 2005 @ \$66	(15,600)	(33,000)
(200)	Manulife Financial, December 2005 @ \$68	(14,600)	(11,500)
(150)	Royal Bank of Canada, December 2005 @ \$86	(15,300)	(59,250)
(200)	Sun Life Financial Inc., December 2005 @ \$46	(7,400)	(18,000)
(300)	Toronto-Dominion Bank, December 2005 @ \$56	(28,654)	(135,000)
<b>Total call options written (-0.8%)</b>		<b>(386,192)</b>	<b>(1,704,250)</b>
<b>Total Investments (100%)</b>		<b>175,768,908</b>	<b>222,899,883</b>

The Statement of Portfolio Investments is at November 30, 2005 and may or may not be indicative of the current portfolio. Due to tax considerations, the level of option premiums outstanding at year end may not be indicative of options outstanding during the year.

# Dividend 15 Split Corp.

## Notes to Financial Statements

For the year ended November 30, 2005 and for the period March 16, 2004 to November 30, 2004

### 1. Incorporation

Dividend 15 Split Corp (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on January 9, 2004 and began investment operations on March 16, 2004. The manager of the Company is Quadravest Inc. (the Manager) and the investment manager is Quadravest Capital Management Inc. (Quadravest). All shares outstanding on December 1, 2009, the termination date of the Company, will be redeemed by the Company on that date.

### 2. Summary of significant accounting policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amount of assets, liabilities, income and expenses during the reporting periods. The following is a summary of the significant accounting policies followed by the Company. Actual results could differ from these estimates.

#### Valuation of investments

Investments are recorded in the financial statements at their market values at the end of the period, determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the closing sale price or, if there is no sale price, the average of the closing bid and ask prices. Shares or other securities for which market quotations are not readily available are valued at fair market values as determined by the Manager.
- Listed options are valued at market values as reported on recognized exchanges. Over the counter options are valued using an appropriate valuation model.

#### Investment transactions and income recognition

- Investment transactions are accounted for on the trade date.
- Realized gains and losses on investment sales and unrealized appreciation or depreciation in investment values are calculated on the average cost basis.
- Option fees paid or received are deferred and included in investments on the statements of financial position. Realized capital gains or losses are recognized in the statements of operations when options are exercised, expire or are closed out.
- Deferred gains and losses on options are recognized in investments and as a component of net unrealized appreciation (depreciation) in the value of investments in shareholders' equity.
- Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned.
- Net realized gains and losses on investments include net realized gains or losses from foreign currency changes.

# Dividend 15 Split Corp.

## Notes to Financial Statements

For the year ended November 30, 2005 and for the period March 16, 2004 to November 30, 2004

### 3. Preferred shares

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

Issued and outstanding	November 30, 2005	November 30, 2004
8,400,000 Preferred shares (2004-8,400,000)	<u>\$84,000,000</u>	<u>\$84,000,000</u>

A total of 8,400,000 Preferred shares were issued at \$10 per share for total proceeds of \$84,000,000. Preferred shares are entitled to fixed, cumulative monthly cash dividends of \$0.04375 per Preferred share. All Preferred shares outstanding on December 1, 2009 will be redeemed by the Company on that date. For accounting purposes, the Preferred shares have been presented as liabilities in the financial statements in accordance with Section 3860 of the CICA Handbook.

Preferred shares trade under the symbol "DFN.PR.A" on the Toronto Stock Exchange (TSX). Preferred shares trading price on the TSX was \$10.90 as at November 30, 2005 (\$10.68-November 30, 2004). Preferred shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Preferred share and a Class A share (together, a "unit") in the month of August in each year will be entitled to receive an amount equal to the net asset value per unit on the last day of August. Preferred shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. The net asset value per unit as at November 30, 2005 was \$27.78 (November 30, 2004-\$24.53). Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class A shares with respect to the payment of dividends. Preferred shares rank in priority to the Class A shares upon termination of the Company.

### 4. Class A shares and Class B shares

#### Authorized

An unlimited number of Class A shares  
1,000 Class B shares

<u>Issued and outstanding</u>	November 30, 2005	November 30, 2004
8,400,000 Class A shares (2004 -8,400,000)	\$115,420,000	\$115,420,000
1,000 Class B shares	<u>\$1,000</u>	<u>\$1,000</u>
	<u>\$115,421,000</u>	<u>\$115,421,000</u>

Class A shares were issued at \$15 per share. Class A share distributions are targeted at \$0.10 per month. All Class A shares outstanding on December 1, 2009 will be redeemed by the Company on that date.

# Dividend 15 Split Corp.

## Notes to Financial Statements

For the year ended November 30, 2005 and for the period March 16, 2004 to November 30, 2004

Class A shares trade under the symbol "DFN" on the Toronto Stock Exchange (TSX). Class A shares trading price on the TSX was \$18.40 as at November 30, 2005 (\$13.77-November 30, 2004). Class A shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Class A share and an Preferred share (together, a "unit") in the month of August in each year will be entitled to receive an amount equal to the net asset value per unit on the last day of August. Class A shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. The net asset value per unit as at November 30, 2005 was \$27.78 (November 30, 2004-\$24.53). Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class A shares with respect to the payment of dividends. Upon the termination of the Company, Class A shareholders will receive an amount equal to the net asset value per unit less \$10 (the redemption value of the Preferred shares).

On March 16, 2004, the Company issued 8,000,000 Class A shares for a gross proceeds of \$120,000,000. An additional 400,000 Class A shares were issued on April 6, 2004 for gross proceeds of \$6,000,000. Agents' fees of \$10,080,000 and filing fees of \$500,000 were incurred in connection with this offering resulting in net proceeds of \$115,420,000.

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of \$1.00 per share. Class B shareholders are entitled to one vote per share. On March 16, 2004, the Company issued 1,000 Class B shares to Quadravest Capital Management Inc., the Company's investment manager, for cash consideration of \$1,000.

### 5. Expenses

The Company is responsible for all expenses incurred in connection with the operation and administration of the Company, including, but not limited to, ongoing custodian, transfer agent, legal and audit expenses.

Pursuant to the administration agreement, the Manager is entitled to an administration fee payable monthly in arrears at an annual rate of 0.10% of the net assets of the Fund, which includes the outstanding Preferred shares, calculated as at each monthly valuation date and an amount equal to the service fee payable to dealers on the Class A Shares at a rate of 0.50% per annum.

Pursuant to the terms of the investment management agreement, Quadravest is entitled to a base management fee payable in arrears at an annual rate equal to 0.65% of the net assets of the Company which include the outstanding Preferred shares, calculated as at each monthly valuation date. In addition, Quadravest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Total management fees of \$1,665,326 (November 30, 2004-\$1,071,009) incurred during the period include the administration fee and base management fee. The company achieved a total return of 24.9% on a net asset value per unit basis including distributions. This exceeded the minimum bonus threshold return of 12% per annum and allowed the Investment Manager to earn a performance fee of 63.3 cents per unit.

# Dividend 15 Split Corp.

## Notes to Financial Statements

For the year ended November 30, 2005 and for the period March 16, 2004 to November 30, 2004

### 5. Expenses (continued)

Total brokerage commissions paid during the year by the Company for its portfolio transactions was \$117,336 (2004-\$241,793).

### 6. Distributions

The Company's investment objectives are to provide steady monthly distributions to both the Preferred and Class A shareholders while returning the original issue price to each shareholder on the termination date of the Company on December 1, 2009.

Distributions per share were as follows:

	November 30, 2005	November 30, 2004
Preferred shares	\$0.525	\$0.371
Class A shares	\$1.70	\$0.80

### 7. Income Taxes

The Company 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 Company is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends.

The Company 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 on taxable preferred shares.

### 8. Financial instruments and risk management

The fair values of the Company's assets and liabilities are affected by changes in interest rates and equity markets. The Company manages these risks through the use of various risk limits and trading strategies.

### 9. Subsequent event

On December 29, 2005, the Company completed an additional offering of 1,140,000 Preferred Shares and 1,140,000 Class A shares for aggregate gross proceeds of \$33,060,000. The Preferred shares were offered at \$10.75 and the Class A shares at \$18.25. Agents' fees of \$1,407,900 and filing fees of \$350,000 were incurred in connection with this offering resulting in net proceeds of \$31,302,100. After the completion of this offering, the Company had 9,540,000 Preferred Shares and 9,540,000 Class A shares outstanding.

### 10. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 financial statements and the new reporting requirements of National Instrument 81-106 Investment Fund Continuous Disclosure.

## **Quadravest Capital Management Inc.**

Quadravest Capital Management Inc. was formed in 1997 and is focused on the creation and management of enhanced yield products for retail investors. Guided by four key principles, Quadravest sets attainable investment objectives that allow the team to stay focused on a long-term investment strategy.

The four principles – innovation in financial products, discipline in investment management, solid results for investors, and excellence in client service – form the foundation of Quadravest. Each member of the firm's tight-knit team is committed to upholding these principles, ensuring a coherence and dedication that is unique to Quadravest.

Quadravest's investment strategy combines equity investments with covered call writing. Quadravest has completed initial public offerings for fifteen products in excess of \$2.0 billion.

# Request For Financial Statements

## Dividend 15 Split Corporation (DSCQ)

Dear Shareholder:

The financial reports for Dividend 15 Split Corp. will be available online to view or download at [www.dividend15.com](http://www.dividend15.com) and [www.sedar.com](http://www.sedar.com).

If you wish to receive our financial statements by mail, please choose one of the following options:

- 1) Register online at [www.computershare.com/ca/maillinglist](http://www.computershare.com/ca/maillinglist) or
- 2) Complete, detach and return this form by mail to:  
Computershare Investor Services  
Stock and Bond Transfer Department  
100 University Avenue, 9th floor  
Toronto, ON  
M5J 2Y1

Your name will then be placed on the Supplemental Mailing List maintained by our Transfer Agent and Registrar, Computershare Investor Services. Once submitted, your preference will remain a standing instruction. You can change your preference at any time by contacting Computershare using either one of the methods listed above.

If you have any questions about this procedure, please contact Computershare Investor Services by phone at 1-800-564-6253 or by email at [service@computershare.com](mailto:service@computershare.com).

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To:

### Computershare Investor Services and Dividend 15 Split Corp. (DSCQ)

Please add my name to the Supplemental Mailing List for Dividend 15 Split Corp. and send me the financial statements as indicated below:

<input type="checkbox"/> Interim Financial Statements (includes Management Report of Fund Performance)	Name: _____ (Please print)
<input type="checkbox"/> Annual Financial Statements (includes Management Report of Fund Performance)	Address: _____ _____ _____ _____
	Postal/Zip: _____

*DIVIDEND*  *15 SPLIT*

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