Mulvihill

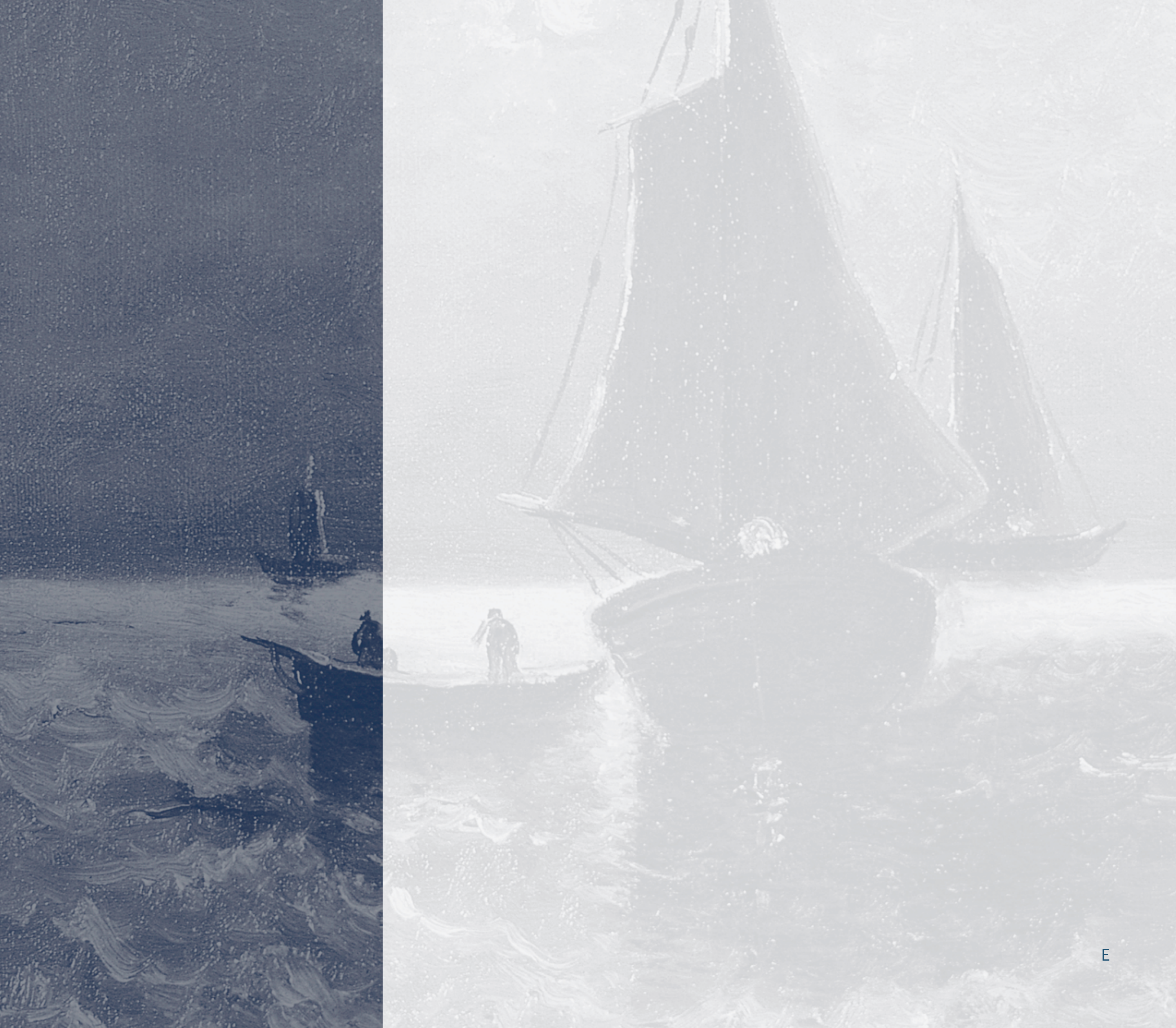
Mulvihill Structured Products

Hybrid Income Funds

Annual Report 2006

Mulvihill Premium *Canadian Fund*

First Premium Income Trust



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Dear Unitholder,

I would like to take this opportunity to communicate with you in conjunction with the mailing of the 2006 financial results for Mulvihill Premium Canadian Fund, to reiterate our investment objectives and the strategies we employ to achieve them.

This Fund is an income oriented investment vehicle whose investment objectives are to:

(i) provide ongoing distributions to unitholders and,

(ii) provide for the return of the original investment on the termination date of the Fund.

To achieve these investment objectives the Fund has acquired and actively manages a portfolio of equity securities and money market instruments to create income which is then used to Fund the ongoing scheduled distributions.

These distributions are generated through a variety of methods which may include:

(i) dividends received from portfolio holdings

(ii) capital gains realized from stocks

(iii) premiums received from the writing of covered call options against the portfolio

(iv) returning capital in certain instances

You will see from the Fund's investment objectives and the strategies employed, that the Fund is not managed in order to meet or exceed the returns of a broad equity market index. The Fund writes call options to generate additional funds to help pay regular distributions and the Fund does maintain cash positions and purchases put options in an effort to provide greater net asset value stability.

These investment strategies result in a different rate of return and risk profile than a Fund that is a fully invested equity portfolio. During periods of strongly rising markets, the Fund's approach will tend to under-perform a comparable fully invested portfolio of the same stocks as the Fund is not fully invested and the writing of covered call options generally limits portfolio performance to the option premiums received. In periods of declining markets, however, the Fund's defensive cash balances and put options help to protect net asset value, and covered option writing premium income generally provides regular cash returns exceeding those of a conventional portfolio.

I would like to take this opportunity to thank unitholders for their continued support of this Fund.

John P. Mulvihill
President & CEO
Mulvihill Capital Management Inc.

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Management Report on Fund Performance

This report, prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure), contains the financial highlights for the year ended December 31, 2006 of First Premium Income Trust, which operates as Mulvihill Premium Canadian Fund (the “Fund”). The annual financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, or by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9, or by visiting our website at www.mulvihill.com.

Investment Objectives and Strategies

The Fund’s investment objectives are to provide unitholders with a stable stream of quarterly distributions of at least $0.50 ($2.00 annually) per unit while returning at a minimum the original issue price of $25.00 per unit to unitholders upon termination of the Fund on January 1, 2014.

The Fund achieves its investment objectives by investing its net assets in a diversified portfolio consisting primarily of common shares issued by major Canadian issuers that are in the top 200 of the S&P/TSX Composite Index by market capitalization. To generate additional returns above the dividend income generated by the portfolio, the Fund writes covered call options in respect of all or part of the securities in the portfolio. From time to time, the Fund may hold a portion of its assets in cash equivalents, which may be utilized to provide cover in respect of the writing of cash covered put positions.

Risk

The underlying portfolio holds securities issued by major Canadian issuers that are in the top 200 of the S&P Composite Index by market capitalization. Investors should be aware that the primary risks associated with the Fund relate to the financial performance of the securities within the investable universe, general market and economic conditions as well as the level of option volatility realized in undertaking the writing of covered call options.

In order to generate income the Fund writes covered call options in respect of all or part of the securities held in the portfolio. During the course of the year, volatility reached multi-year lows which resulted in the Fund having to write options on a greater portion of the portfolio in order to generate distributable income. Increased option writing resulted in limiting the capital appreciation earned on securities in the portfolio.

Due to this low volatility as well as a more positive view on the equity markets the Fund maintained a higher exposure to equities over most of the year. However, during the second and third quarter the Fund temporarily decreased its invested position and increased cash holdings in order to position the Fund more defensively. To offset the risk of added equity exposure the Fund purchased protective put options to partially mitigate the potential impact of a severe market decline and take advantage of the low cost of this protection.

Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update will be available on our website at www.mulvihill.com.

Asset Mix

December 31, 2006

	% OF NET ASSETS		% OF NET ASSETS		% OF NET ASSETS
Financials	31%	Industrials	7%	Information Technology	3%
Energy	26%	Consumer Discretionary	6%	Telecommunication Services	3%
Materials	13%	Utilities	3%	Other Assets (Liabilities)	0%
Cash and Short-Term Investments	8%				

Top 25 Holdings

December 31, 2006

	% OF NET ASSETS		% OF NET ASSETS		% OF NET ASSETS
Cash and Short-Term Investments	8%	The Bank of Nova Scotia	4%	Goldcorp Inc.	3%
The Toronto-Dominion Bank	6%	Nexen Inc.	4%	Shaw Communication Inc.	3%
Manulife Financial Corporation	6%	SNC-Lavalin Group Inc.	4%	Fortis Inc.	3%
Royal Bank of Canada	5%	Imperial Oil Ltd.	3%	Barrick Gold Corp.	3%
Sun Life Financial Inc.	5%	Canadian National Railway Company	3%	TELUS Corporation	3%
EnCana Corporation	5%	Cognos Inc.	3%	Kinross Gold Corporation	3%
Canadian Imperial Bank of Commerce	5%	Husky Energy Inc.	3%	Rogers Communications, Class B	2%
Teck Cominco Ltd. Cl B	5%	Thomson Corporation	3%	Enbridge Inc.	2%
Suncor Energy, Inc.	4%				

Distribution History

INCEPTION DATE: JUNE 1996	REGULAR DISTRIBUTION	SPECIAL DISTRIBUTION	TOTAL DISTRIBUTION
Total for 1996	$ 1.00	$ 0.50	**$ 1.50**
Total for 1997	2.00	1.50	**3.50**
Total for 1998	2.00	0.75	**2.75**
Total for 1999	2.00	0.50	**2.50**
Total for 2000	2.00	2.00	**4.00**
Total for 2001	2.00	0.25	**2.25**
Total for 2002	2.00	0.00	**2.00**
Total for 2003	2.00	0.00	**2.00**
Total for 2004	2.00	0.00	**2.00**
Total for 2005	2.00	0.00	**2.00**
Total for 2006	2.00	0.00	**2.00**
Total Distributions to Date	**$ 21.00**	**$ 5.50**	**$ 26.50**

For complete distribution history and income tax information, please see our website at www.mulvihill.com.

Trading History

June 28, 1996 to December 31, 2006

Results of Operations

For the year ended December 31, 2006, the net asset value of the Fund was $18.37 per unit compared to $19.43 per unit at December 31, 2005. The Fund's units listed on the Toronto Stock Exchange as FPI.UN closed on December 29, 2006 at $17.60 per unit.

Distributions totalling $2.00 per unit were made to the unitholders during the year, in accordance with the 8 percent yield objective based on the initial price of the units.

Volatility was low during the period, but remained sufficient to maintain option writing programs. However, due to this lower level of volatility as well as a more positive view on the equity markets, the Fund maintained a higher exposure to equities over most of the year. To offset the risk of added equity exposure the Fund purchased protective put options to partially mitigate the potential impact of a severe market decline and take advantage of the low cost of this protection.

The S&P/TSX Composite Index total return for the year was 17.3 percent. The majority of this return was generated by the materials sector, which posted excellent results based on strong commodity prices such as zinc and nickel. Also contributing positively to the index return was the performance of the information technology and telecommunication sectors. The one year total return for the Fund in Canadian dollars including reinvestment of distributions was 5.0 percent. For more detailed information on investment returns, please see the Annual Total Return bar graph on page 6 and the Annual Compound Returns table on page 6 of this report.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's audited annual financial statements.

Years ended December 31

	2006	2005	2004	2003	2002
THE FUND'S NET ASSET VALUE PER UNIT					
Net Asset Value, beginning of year(1)	**$ 19.43**	**$ 19.90**	**$ 20.31**	**$ 18.97**	**$ 23.10**
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	**0.38**	0.37	0.36	0.41	0.45
Total expenses	**(0.35)**	(0.35)	(0.36)	(0.59)	(0.30)
Realized gains (losses) for the period	**1.83**	1.30	2.19	0.24	(0.97)
Unrealized gains (losses) for the period	**(0.99)**	0.03	(0.61)	3.27	(1.34)
Total Increase (Decrease) from Operations(2)	**0.87**	**1.35**	**1.58**	**3.33**	**(2.16)**
DISTRIBUTIONS					
From taxable income	**(0.29)**	(0.26)	(0.22)	–	(0.09)
From capital gains	**(1.01)**	(0.45)	(0.56)	–	–
Non-taxable distributions	**(0.70)**	(1.29)	(1.22)	(2.00)	(1.91)
Total Annual Distributions(3)	**(2.00)**	**(2.00)**	**(2.00)**	**(2.00)**	**(2.00)**
Net Asset Value, as at December 31(1)	**$ 18.37**	**$ 19.43**	**$ 19.90**	**$ 20.31**	**$ 18.97**

(1) 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 on that date divided by the number of units then outstanding.
(2) Total increase (decrease) from operations consists of interest and dividend revenue and is calculated based on the weighted average number of units outstanding during the year. The schedule is not intended to total to the ending net asset value as calculations are based on the weighted average number of units outstanding during the year.
(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution and were paid in cash.

RATIOS/SUPPLEMENTAL DATA	2006	2005	2004	2003	2002
Net Assets ($millions)(1)	**$ 61.68**	$ 87.24	$ 110.21	$ 122.85	$ 121.51
Number of units outstanding(1)	**3,357,025**	4,490,351	5,538,445	6,047,391	6,406,184
Management expense ratio(2)	**1.83%**	1.76%	1.79%	3.01%	1.45%
Portfolio turnover rate(3)	**190.12%**	234.60%	222.18%	118.96%	90.90%
Trading expense ratio(4)	**0.24%**	0.26%	0.27%	0.24%	0.18%
Closing market price	**$ 17.60**	$ 18.60	$ 19.65	$ 20.20	$ 18.45

(1) This information is provided as at December 31.
(2) Management expense ratio is the ratio of all fees and expenses, including goods and service taxes, charged to the Fund to average net assets. Management expense ratio for 2003 includes the special resolution expense. The management expense ratio excluding the special resolution expense is 1.46%.
(3) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.
(4) Trading expense ratio represents total commissions expressed as an annualized percentage of daily average net assets during the period.

Management Fees

Mulvihill Capital Management ("MCM") is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.15 percent of the net assets of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and the writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. MCM also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and the execution of all portfolio and other transactions.

Mulvihill Fund Services is entitled to fees under the Management Agreement calculated monthly as 1/12 of 0.10 percent of the net assets of the Fund at each month end. Services received under the Management Agreement include providing or arranging for required administrative services to the Fund.

Recent Developments

The Canadian market continued its strong appreciation due to the strength in base metal prices. With the robust economic growth from both China and India the Fund saw continued strong demand for such commodities as zinc and nickel. Gold was another commodity whose price moved up due to excellent supply/demand characteristics. Energy prices were weaker than expected due to slower demand combined with a rising inventory of both oil and natural gas.

Rising cash flows and positive corporate profits should be supportive of Canadian equities in 2007. The GDP results in North America are slowing but they still remain positive and with inflation contained and good liquidity we expect positive returns from the markets. Recent economic reports from Europe and Japan have been encouraging, and with China and India showing no signs of a slowdown we expect the commodity sectors to outperform, although perhaps not to the same extent as in 2006. With corporate cash flow strong around the world, this should fuel increased capital expenditures, share buybacks and increased merger and acquisition activity in 2007. Risks to the market include rising interest rates, increased labor costs and high input prices potentially squeezing margins. Also, the continued inversion of the yield curve could suggest the potential for an economic slowdown later in 2007.

The Fund is positioned with robust exposure to the materials sector as such companies as Barrick Gold Corp., Kinross Gold Corporation and Teck Cominco Ltd. are generating solid growth in earnings and cash flow. Within energy the Fund is underweight with exposure mainly to integrated names such as Imperial Oil Ltd. and Suncor Energy, Inc. Sectors the Fund has an overweight exposure to include financial services and telecommunications with such names as Royal Bank of Canada, Manulife Financial Corporation, The Toronto-Dominion Bank, Rogers Communications and TELUS Corporation. The Fund is currently overweight in the Canadian technology sector.

Past Performance

The chart below sets out the Fund's year-by-year past performance. It is important to note:

(a) the information shown assumes that all distributions made by the Fund during these periods shown were reinvested in the Fund,

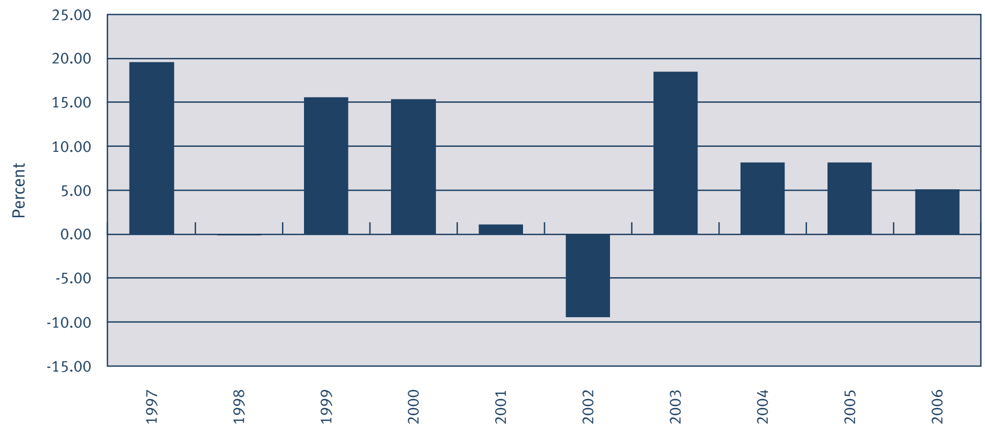
(b) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(c) the past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The bar chart below illustrates how the Fund's total annual return in each of the past eleven years has varied from year to year. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception in 1996 would have increased or decreased by the end of that fiscal year.

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound total return for the periods ended December 31 as compared to the performance of the S&P/TSX Composite Index.

(In Canadian Dollars)	One Year	Three Years	Five Years	Ten Years
Mulvihill Premium Canadian Fund	**5.04%**	7.08%	5.66%	7.79%

In order to meet regulatory requirements, the performance of a broader based market index has been included.

S&P/TSX Composite Index*	**17.26%**	18.55%	13.08%	9.97%

* The S&P/TSX Composite Index is a capitalization-weighted index designed to measure the market activity of stocks listed on the TSX.

The equity performance benchmark shown here provides an approximate indication of how the Fund's returns compare to a public market index for similar securities. It is important to note that the Fund is not managed in order to match or exceed this index; rather, its objectives are to pay out quarterly dividends and return the original invested amount at the termination date. As a result, the Fund has, from time to time, maintained cash balances in an effort to provide greater net asset value stability and employs a covered option writing strategy to generate the distributions.

These investment strategies result in a rate of return for the Fund that differs from that of a conventional, fully-invested portfolio. During periods of strongly rising markets, the Fund's approach will tend to underperform a comparable fully-invested portfolio of the same stocks as the Fund is not fully invested and writing covered call options generally limits portfolio performance to the option premium received. In periods of declining markets, however, the Fund's defensive cash balances help to protect net asset value, and covered option writing income generally provides returns exceeding those of a conventional portfolio.

Related Party Transactions

Mulvihill Capital Management Inc. ("MCM") manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and MCM dated June 21, 1996.

Mulvihill Fund Services Inc. ("Mulvihill") is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill dated June 21, 1996, and as such, is responsible for providing or arranging for required administrative services to the Fund. Mulvihill is a wholly-owned subsidiary of MCM. These parties are paid the fees described under the Management Fees section of this report.

Forward-Looking Statements

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.

Management's Responsibility for Financial Reporting

The accompanying financial statements of First Premium Income Trust (operating as Mulvihill Premium Canadian Fund) (the "Fund") and all the information in this annual report are the responsibility of the management of Mulvihill Fund Services Inc. (the "Manager"), and have been reviewed by the Board of Advisors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the financial statements.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board meets periodically with management and external auditors to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the external auditors' report. Deloitte & Touche LLP has full and unrestricted access to the Board.

John P. Mulvihill
Director
Mulvihill Fund Services Inc.
February 22, 2007

Sheila S. Szela
Director
Mulvihill Fund Services Inc.

To the Unitholders of Mulvihill Premium Canadian Fund

We have audited the accompanying statement of investments of First Premium Income Trust (operating as Mulvihill Premium Canadian Fund) (the "Fund") as at December 31, 2006, and the statements of net assets as at December 31, 2006 and 2005, and the statements of financial operations, of changes in net assets and of net gain on sale of investments for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund and its investments as at the dates indicated above, and the results of its operations, the changes in its net assets, and the net gain on sale of investments for the years indicated above in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Toronto, Ontario
February 22, 2007

Statements of Net Assets

December 31, 2006 and 2005

	2006	2005
ASSETS		
Investments at market value (cost - $56,449,241; 2005 - $75,288,535)	**$ 56,980,998**	$ 79,736,109
Short-term investments (cost - $4,936,842; 2005 - $7,628,201)	**4,936,842**	7,628,201
Cash	**5,742**	–
Interest receivable	**10,645**	22,808
Dividends receivable	**125,235**	186,105
Due from brokers - investments	**—**	1,213,585
TOTAL ASSETS	**62,059,462**	**88,786,808**
LIABILITIES		
Redemptions payable	**245,338**	1,300,045
Accrued liabilities	**137,583**	243,047
TOTAL LIABILITIES	**382,921**	**1,543,092**
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	**$ 61,676,541**	**$ 87,243,716**
Number of Units Outstanding (Note 4)	**3,357,025**	**4,490,351**
Net Asset Value per Unit	**$ 18.3724**	**$ 19.4292**

On Behalf of the Manager,
Mulvihill Fund Services Inc.

John P. Mulvihill, Director

Sheila S. Szela, Director

Statements of Financial Operations

Years ended December 31, 2006 and 2005

	2006	2005
REVENUE		
Dividends	**$ 1,032,500**	$ 1,406,067
Interest	**489,036**	513,660
TOTAL REVENUE	**1,521,536**	**1,919,727**
EXPENSES (Note 5)		
Management fees	**946,502**	1,268,955
Service fees	**219,395**	296,721
Administrative and other expenses	**63,503**	60,368
Custodian fees	**41,475**	43,855
Audit fees	**15,956**	11,899
Legal fees	**8,382**	3,688
Unitholder reporting costs	**28,915**	30,600
Goods and services tax	**72,000**	99,346
TOTAL EXPENSES	**1,396,128**	**1,815,432**
Net Investment Income	**125,408**	**104,295**
Net gain on sale of investments	**5,369,179**	492,993
Net gain on sale of derivatives	**1,866,569**	6,319,371
Net change in unrealized appreciation of investments	**(3,915,817)**	136,207
Net Gain on Investments	**3,319,931**	**6,948,571**
TOTAL RESULTS OF FINANCIAL OPERATIONS	**$ 3,445,339**	**$ 7,052,866**
TOTAL RESULTS OF FINANCIAL OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the year of 3,956,775; 2005 - 5,227,325)	**$ 0.8707**	**$ 1.3492**

Statements of Changes in Net Assets

Years ended December 31, 2006 and 2005

	2006	2005
NET ASSETS, BEGINNING OF YEAR	$ 87,243,716	$ 110,211,467
Total Results of Financial Operations	3,445,339	7,052,866
Unit Transactions		
Amount paid for units redeemed	(21,168,620)	(19,525,081)
Normal course issuer bid purchases	—	(181,403)
	(21,168,620)	(19,706,484)
Distributions to Unitholders (Note 6)		
From taxable income	(1,093,370)	(1,411,242)
From net realized gain on sale of investments	(3,895,698)	(2,511,335)
Non-taxable distributions	(2,854,826)	(6,391,556)
	(7,843,894)	(10,314,133)
Changes in Net Assets during the Year	(25,567,175)	(22,967,751)
NET ASSETS, END OF YEAR	$ 61,676,541	$ 87,243,716

Statements of Net Gain on Sale of Investments

Years ended December 31, 2006 and 2005

	2006	2005
Proceeds from Sale of Investments	$ 147,324,593	$ 205,773,244
Cost of Investments Sold		
Cost of investments, beginning of year	75,288,535	81,291,016
Cost of investments purchased	121,249,551	192,958,399
	196,538,086	274,249,415
Cost of Investments, End of Year	(56,449,241)	(75,288,535)
	140,088,845	198,960,880
NET GAIN ON SALE OF INVESTMENTS	$ 7,235,748	$ 6,812,364

Statement of Investments

December 31, 2006

	Par Value/ Number of Shares	Average Cost	Market Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada, 4.14% - February 22, 2007	2,330,000	$ 2,309,459	**$ 2,309,459**	
Government of Canada, 4.15% - March 22, 2007	2,655,000	2,627,383	**2,627,383**	
Total Treasury Bills		**4,936,842**	**4,936,842**	**99.8%**
Accrued Interest			**10,645**	**0.2%**
TOTAL SHORT-TERM INVESTMENTS		**$ 4,936,842**	**$ 4,947,487**	**100.0%**
INVESTMENTS				
Canadian Common Shares				
Consumer Discretionary				
Shaw Communication Inc.	50,000	$ 1,778,418	**$ 1,845,500**	
Thomson Corporation	40,000	1,958,960	**1,935,200**	
Total Consumer Discretionary		**3,737,378**	**3,780,700**	6.6%
Energy				
Enbridge Inc.	34,000	1,269,483	**1,369,180**	
EnCana Corporation	55,000	3,206,890	**2,951,300**	
Husky Energy Inc.	25,000	1,938,432	**1,951,000**	
Imperial Oil Ltd.	50,000	2,069,862	**2,146,500**	
Nexen Inc.	35,000	2,155,898	**2,247,000**	
Suncor Energy, Inc.	30,000	2,732,690	**2,753,700**	
TransCanada Corp.	33,000	1,285,350	**1,340,130**	
Total Energy		**14,658,605**	**14,758,810**	25.9%
Financials				
Canadian Imperial Bank of Commerce	30,000	2,891,170	**2,949,000**	
Manulife Financial Corporation	93,000	3,447,674	**3,659,550**	
Royal Bank of Canada	60,000	2,990,736	**3,330,000**	
Sun Life Financial Inc.	60,000	2,803,768	**2,959,200**	
The Bank of Nova Scotia	45,000	2,356,538	**2,344,500**	
The Toronto-Dominion Bank	55,000	3,544,032	**3,834,600**	
Total Financials		**18,033,918**	**19,076,850**	33.5%
Industrials				
Canadian National Railway Company	40,000	2,172,126	**2,002,800**	
SNC-Lavalin Group Inc.	70,000	2,212,602	**2,202,900**	
Total Industrials		**4,384,728**	**4,205,700**	7.4%
Information Technology				
Cognos Inc.	40,000	**1,851,526**	**1,982,000**	3.5%
Materials				
Barrick Gold Corp.	50,000	1,739,763	**1,792,500**	
Goldcorp Inc.	58,000	2,029,391	**1,920,380**	
Kinross Gold Corporation	120,000	1,875,630	**1,658,400**	
Teck Cominco Ltd. Cl B	32,000	2,880,077	**2,812,800**	
Total Materials		**8,524,861**	**8,184,080**	14.4%
Telecommunication Services				
Rogers Communications, Class B	40,000	1,125,680	**1,388,000**	
TELUS Corporation	33,000	2,046,454	**1,766,160**	
Total Telecommunication Services		**3,172,134**	**3,154,160**	5.5%
Utilities				
Fortis Inc.	61,000	**1,701,748**	**1,815,970**	3.2%
Total Canadian Common Shares		**$56,064,898**	**$56,958,270**	**100.0%**

Statement of Investments (continued)

December 31, 2006

	Number of Contracts	Average Cost/ Proceeds	Market Value	% of Portfolio
INVESTMENTS (continued)				
OPTIONS				
Purchased Put Options (100 shares per contract)				
S&P/TSX 60 - February 2007 @ $651	156	$ 181,116	**$ 1,851**	
S&P/TSX 60 - March 2007 @ $685	182	224,315	**65,903**	
S&P/TSX 60 - March 2007 @ $693	70	79,800	**37,312**	
S&P/TSX 60 - March 2007 @ $697	127	138,887	**77,886**	
S&P/TSX 60 - April 2007 @ $697	66	87,780	**54,070**	
Total Purchased Put Options		**711,898**	**237,022**	**0.4 %**
Written Cash Covered Put Options (100 shares per contract)				
TransCanada Corporation - January 2007 @ $38	(330)	**(19,305)**	**(632)**	**0.0 %**
Written Covered Call Options (100 shares per contract)				
Barrick Gold Corp. - January 2007 @ $35	(500)	(36,500)	**(51,118)**	
Canadian National Railway Company - January 2007 @ $53	(200)	(28,400)	**(1,149)**	
Cognos Inc. - January 2007 @ $48	(200)	(68,650)	**(41,000)**	
Imperial Oil Ltd. - January 2007 @ $43	(500)	(74,250)	**(40,389)**	
Manulife Financial Corporation - January 2007 @ $40	(465)	(23,250)	**(20,581)**	
Rogers Communications Inc., Class B - January 2007 @ $69	(200)	(31,600)	**—**	
Sun Life Financial Services Inc. - January 2007 @ $50	(300)	(13,800)	**(14,376)**	
The Bank of Nova Scotia - January 2007 @ $53	(360)	(13,320)	**(7,278)**	
TransCanada Corporation - January 2007 @ $40	(330)	(18,480)	**(37,771)**	
Total Written Covered Call Options		**(308,250)**	**(213,662)**	**(0.4)%**
TOTAL OPTIONS		**$ 384,343**	**$ 22,728**	**0.0 %**
TOTAL INVESTMENTS		**$56,449,241**	**$56,980,998**	**100.0 %**

1. Establishment of the Fund

First Premium Income Trust (the “Fund”) is an investment trust established under the laws of the Province of Ontario on June 21, 1996. The Fund began operations on June 25, 1996 and will terminate on January 1, 2014 and its net assets will be distributed to unitholders unless unitholders determine to continue the Fund by a two-thirds majority vote at a meeting called for such purpose.

The manager of the Fund is Mulvihill Fund Services Inc. (the “Manager”) and the Fund’s investment manager is Mulvihill Capital Management Inc. (the “Investment Manager”). RBC Dexia Investor Services (the “Trustee”) is the trustee and acts as custodian of the assets of the Fund.

The Fund operates under the registered name Mulvihill Premium Canadian Fund.

2. Investment Objectives of the Fund

The Fund achieves its investment objectives by investing in a diversified portfolio consisting primarily of common shares issued by major Canadian issuers that are in the top 200 of the S&P/TSX Composite Index by market capitalization.

To generate additional returns above the dividend income earned on the portfolio, the Fund writes covered call and put options in respect of all or some of the securities in the portfolio. Additionally, the Fund may purchase call options with the effect of closing out existing call options written by the Fund and may also purchase put options to preserve the value of the portfolio where appropriate. The Fund may enter into trades to close out positions in such permitted derivatives.

From time to time, the portfolio may include debt securities having a remaining term to maturity of less than one year issued or guaranteed by the government of Canada or a province.

3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Fund are as follows:

Valuation of Investments

Investments are recorded in the financial statements at their fair market value at the end of the period which is determined as follows:

Securities are valued at fair market value, which is determined by the closing sale price on the recognized stock exchange on which the securities are listed or principally traded. If no sale has taken place on that day, valuation will be at the last published sale price if this is between the last recorded bid price (the price someone is willing to pay) and the last recorded asked price (the price at which someone is willing to sell). If the last published sale price is not between the bid and the asked price, the bid or the asked price is used, whichever is nearer the last published sale price.

Short-term investments are valued at cost plus accrued interest which approximates market value.

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

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments and change in unrealized appreciation (depreciation) of investments are determined on an average cost basis. Realized gains and losses relating to written options may arise from:

(i) Expiration of written options whereby realized gains are equivalent to the premium received;

(ii) Exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gain or loss from disposition of the related investments at the exercise price of the option; and

(iii) Closing of written options whereby realized gains or losses are equivalent to the cost of purchasing options to close the positions, net of any premium received.

Realized gains and losses related to options are included in gains (losses) on derivatives.

Realized gains and losses relating to purchased put options may arise from:

(i) Expiration of purchased put options whereby realized losses are equivalent to the premium paid;

(ii) Settlement of purchased put options whereby realized gains are equivalent to the difference between the exercise price of the option less the premium paid; and

(iii) Sale of purchase put options whereby realized gains or losses are equivalent to the sale proceeds, net of any premium paid.

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in change in unrealized appreciation (depreciation) of investments. Premiums received on written put options that are exercised are included in the cost of the security purchased.

The following are credit ratings for the counterparties to derivative instruments the Fund deals with during the year, based on Standard & Poor's credit rating:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Canadian Dollar		
Bank of Montreal	AA-	A-1+
Canadian Imperial Bank of Commerce/CA	A+	A-1
Citigroup Inc.	AA-	A-1+
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
Toronto-Dominion Bank	A+	A-1

Dividend income is recorded on the ex-dividend date. Interest income is recorded daily as it is earned.

New Accounting Standards

The Canadian Institute of Chartered Accountants issued new accounting standards relating to Financial Instruments which will be effective for the Fund from January 1, 2007. These new standards will impact certain financial statement accounting and disclosure including the valuation of securities at bid price and accounting for transaction costs.

However, as a result of regulatory relief received from the Canadian Securities Administrators, on implementation of the new standards, the above changes will not impact the net asset value per unit used to transact units of the Fund which will continue to be based upon securities valued at the last sale price.

4. Unitholders' Equity

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

All units have equal voting rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund. Fractional units are not entitled to voting privileges.

Units may be surrendered at any time for redemption but will be redeemed only on the monthly valuation date. Unitholders whose units are redeemed on a June 30 valuation date will be entitled to receive a redemption price per unit equal to the net asset value per unit. Unitholders whose units are redeemed on any other valuation date will be entitled to receive a redemption price per unit equal to the net asset value per unit less the lesser of (i) 4 percent of such net asset value per unit and (ii) $1.00.

Unit transactions during the year are as follows:

	2006	2005
Units outstanding, beginning of year	**4,490,351**	5,538,445
Units redeemed	**(1,133,326)**	(1,037,794)
Units purchased for cancellation	**—**	(10,300)
Units outstanding, end of year	**3,357,025**	**4,490,351**

Under the terms of the normal course issuer bid that was renewed in May 2006, the Fund proposes to purchase, if considered advisable, up to a maximum of 444,607 units (2005 - 552,414 units), 10 percent of its public float as determined in accordance with the rules of the Exchange. The normal course issuer bid will remain in effect until the earlier of May 8, 2007 or until the Fund has purchased the maximum number of units permitted under the bid. As at December 31, 2006, no units (2005 - 10,300 units) have been purchased by the Fund.

Unitholders may obtain a copy of the Notice of Intention to make a normal course issuer bid, without charge, by writing to Mulvihill Investors Services at: Mulvihill Premium Canadian Fund, Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

5. Management Fees and Expenses

The Fund is responsible for all ongoing trustee, manager, legal, accounting and audit fees as well as all other expenses incurred by the Trustee and the Manager in the ordinary course of business relating to the Fund's operations. The Fund is also responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.

Fees are payable to the Manager under the terms of the trustee agreement and to the Investment Manager under the terms of an investment management agreement. The fees are payable at annual rates of 0.10 percent and 1.15 percent, respectively, of the Fund's net asset value calculated and payable monthly, plus applicable taxes.

The Manager also collects from the Fund a service fee equal to 0.30 percent annually of the net asset value of the Fund which it pays to dealers in connection with amounts held by clients of the sales representatives of such dealers, plus applicable taxes. This service fee is payable quarterly. If regular targeted distributions are not paid in full to unitholders in any month of a calendar quarter, the service fee for that calendar quarter will be reduced on a pro rata basis to the extent of the distribution shortfall.

6. Distributions

The Fund endeavours to make quarterly distributions of net income and net realized capital gains to unitholders on the last day of March, June, September and December in each year. Unitholders may elect to reinvest distributions received from the Fund in additional units.

The non-taxable distributions received by the unitholders reduce the adjusted cost base of the unit for tax purposes.

7. Income Taxes

The Fund is a "mutual fund trust" as defined in the Income Tax Act (Canada) (the "Act"). The Fund is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to unitholders in the year. Income tax paid by the Fund on any net realized capital gains not paid or payable to unitholders is recoverable by the Fund to the extent and in the circumstances provided in the Act.

Given the investment and distribution policies of the Fund and taking into account expenses, the Fund does not expect to bear any appreciable non-refundable income tax.

No amount is payable on account of income taxes in 2006 or 2005.

Issue costs of approximately $0.4 million (2005 - $0.7 million) remain undeducted for tax purposes at year-end.

8. Commissions

Total commissions paid in 2006 in connection with portfolio transactions were $186,440 (2005 - $264,665). Of this amount $73,130 (2005 - $88,437) was directed for payment of trading related goods and services.

9. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments and certain derivative contracts (options).

Risks of these contracts arise from the potential inability of the counterparties to meet the terms of their contracts and from future movement in stock values and interest rates. The maximum credit risk exposure is the aggregate of all contracts with a positive value as disclosed on the statement of investments. The Fund manages these risks through the use of various risk limits and trading strategies.

Investments and derivative contracts are carried at fair market values. Other financial instruments are carried at cost, which approximates fair value.

Mulvihill Capital Management Inc.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than $2.8 billion in segregated and pooled funds on behalf of institutional and high net worth clients. Founded by Canada Trust in 1985, Mulvihill Capital Management emerged in 1995 as an independent company. Today, Mulvihill is managed by a cohesive team of senior managers and owners who have worked together for more than a decade. Our scale and independent structure allow us to provide our clients with a uniquely customized approach to asset management.

Mulvihill Capital Management operates three main lines of business:

- Mulvihill Institutional Asset Management ⇢ provides asset growth management of pension funds, corporations, management companies, endowment foundations and mutual funds with a wide variety of investment mandates. Our reputation has been built on the ability to provide customized portfolios that meet the stated needs of our clients.
- Mulvihill Wealth Management ⇢ offers a comprehensive specialized approach tailored to a client's personal investment strategies. Personalized service and customized reporting ensure that our clients are fully aware of the progress they are making.
- Mulvihill Structured Products ⇢ is responsible for the development and management of Mulvihill Hybrid Income Funds tailored to meet very specific investment objectives. Assets are generally managed to meet absolute rather than relative returns.

Mulvihill's Hybrid Income Funds are exchange-traded, equity-based funds that are enhanced by virtue of their broad distribution, special structure and performance characteristics. The Hybrid Income Funds are prime examples of our customized approach to asset management.

MULVIHILL HYBRID INCOME FUNDS	SYMBOL	HIGH	LOW
		For the period January 1, 2006 to December 31, 2006	
MULVIHILL PLATINUM			
Mulvihill *Government Strip Bond Fund*	GSB.UN	$ 21.44	$ 19.20
Mulvihill Pro-AMS *U.S. Fund*	PAM.UN	$ 22.44	$ 20.44
Mulvihill Pro-AMS *100 Plus (Cdn $) Fund*	PRC.UN	$ 19.20	$ 16.05
Mulvihill Pro-AMS *100 Plus (U.S. $) Fund*	PRU.U	$ 15.57	$ 13.35
Mulvihill Pro-AMS *RSP Split Share Fund*	SPL.A/SPL.B	$ 10.10/$15.60	$ 8.80/$13.07
MULVIHILL PREMIUM			
Mulvihill *Core Canadian Dividend Fund*	CDD.UN	$ 10.90	$ 9.70
Mulvihill Premium *Canadian Fund*	FPI.UN	$ 19.99	$ 16.60
Mulvihill Premium *Oil & Gas Fund*	FPG.UN	$ 14.21	$ 10.95
Mulvihill Premium *60 Plus Fund*	SIX.UN	$ 18.75	$ 16.15
Mulvihill Premium *Global Plus Fund*	GIP.UN	$ 11.80	$ 10.48
Mulvihill Premium *Canadian Bank Fund*	PIC.A/PIC.PR.A	$ 11.70/$16.94	$ 9.82/$15.51
Mulvihill Premium *Split Share Fund*	MUH.A/MUH.PR.A	$ 8.65/$16.00	$ 6.87/$15.14
Mulvihill Premium *Global Telecom Fund*	GT.A/GT.PR.A	$ 0.28/$12.70	$ 0.08/$10.75
Mulvihill *Top 10 Canadian Financial Fund*	TCT.UN	$ 17.08	$ 14.28
Mulvihill *Top 10 Split Fund*	TXT.UN/TXT.PR.A	$ 12.74/$13.75	$ 8.45/$12.42
Mulvihill *World Financial Split Fund*	WFS/WFS.PR.A	$ 12.25/$11.30	$ 10.40/$10.41

Board of Advisors

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Mulvihill Capital Management Inc.

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Corporate Director

Robert W. Korthals
Corporate Director

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Visit our website at www.mulvihill.com for additional information on all Mulvihill Hybrid Income Funds.

Hybrid Income Funds Managed by Mulvihill Structured Products

Mulvihill Platinum

Mulvihill *Government Strip Bond Fund*
Mulvihill Pro-AMS *U.S. Fund*
Mulvihill Pro-AMS *100 Plus (Cdn $) Fund*
Mulvihill Pro-AMS *100 Plus (U.S. $) Fund*
Mulvihill Pro-AMS *RSP Split Share Fund*

Mulvihill Premium

Mulvihill *Core Canadian Dividend Fund*
Mulvihill Premium *Canadian Fund*
Mulvihill Premium *Oil & Gas Fund*
Mulvihill Premium *60 Plus Fund*
Mulvihill Premium *Global Plus Fund*
Mulvihill Premium *Canadian Bank Fund*
Mulvihill Premium *Split Share Fund*
Mulvihill Premium *Global Telecom Fund*
Mulvihill *Top 10 Canadian Financial Fund*
Mulvihill *Top 10 Split Fund*
Mulvihill *World Financial Split Fund*

Mutual Funds Managed by Mulvihill Capital Management

Mulvihill Canadian *Money Market Fund*
Mulvihill Canadian *Bond Fund*
Mulvihill Global *Equity Fund*
Premium Global *Income Fund*

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