Mulvihill Structured Products

Mulvihill

Hybrid Income Funds

Annual Report 2007

Mulvihill Premium *Canadian Fund*

First Premium Income Trust

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Message to Unitholders

We are pleased to present the annual financial results of First Premium Income Trust, which operates as Mulvihill Premium Canadian Fund (the “Fund”).

The following is a brief summary of the financial highlights and results of operations of the Fund. This is intended to provide you with a quick overview of the performance and is not intended to replace the more detailed financial information contained in the annual report.

The Fund was launched in 1996 with the objectives to:

(1) Provide unitholders with a stable stream of quarterly distributions of at least $0.50 ($2.00 annually) per unit; and

(2) Return, at a minimum, the original issue price of the units to unitholders upon termination of the Fund.

To accomplish these objectives the Fund invests its net assets in a diversified portfolio of common shares issued by major Canadian issuers that are in the top 200 of the S&P/TSX Composite Index by market capitalization. Accordingly, the distributions paid out by the Fund are funded from the dividend income earned on the portfolio, realized capital gains from the sale of securities and option premiums from the sale of covered call options. During the fiscal year ended 2007 the Fund earned an annual total return of 6.0 percent. Distributions amounting to $2.00 per unit were paid during the year, resulting in an overall decline in the net asset value from $18.37 per unit as at December 31, 2006 to $17.42 per unit as at December 31, 2007.

The longer-term financial highlights of the Fund for the years ended December 31 are as follows:

	2007	2006	2005	2004	2003
Annual Total Fund Return	6.01%	5.04%	8.09%	8.15%	18.42%
Distribution Paid (target of $2.00 per unit)	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Ending Net Asset Value per Unit (initial issue price was $25.00 per unit)	$ 17.42	$ 18.37	$ 19.43	$ 19.90	$ 20.31

We thank all unitholders for their continued support and encourage unitholders to review the more detailed information contained within the annual report.

John P. Mulvihill
Chairman & President,
Mulvihill Capital Management Inc.

Mulvihill Premium *Canadian Fund* [FPI.UN]

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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, 2007 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/TSX 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 in the portfolio. The market experienced elevated volatility levels through the second half of the year. Due to this high volatility as well as a more defensive view on equity markets, the Fund reduced its investment position and increased its overwritten position in the portfolio towards the end of the year. The Fund purchased protective put options to partially mitigate the potential impact of a severe market decline.

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, 2007

	% OF NET ASSET VALUE		% OF NET ASSET VALUE		% OF NET ASSET VALUE
Energy	28%	Telecommunication Services	7%	Consumer Staples	3%
Financials	19%	Consumer Discretionary	5%	Industrials	2%
Cash and Short-Term Investments	15%	Information Technology	4%	Other Assets (Liabilities)	(1)%
Materials	15%	Utilities	3%		

Top 25 Holdings

December 31, 2007

	% OF NET ASSET VALUE		% OF NET ASSET VALUE		% OF NET ASSET VALUE
Cash and Short-Term Investments	15%	Yamana Gold Inc.	4%	Enbridge Inc.	3%
EnCana Corporation	6%	Rogers Communications, Class B	4%	Husky Energy Inc.	3%
The Toronto-Dominion Bank	5%	TransCanada Corporation	4%	Shoppers Drug Mart Corporation	3%
Kinross Gold Corporation	5%	TELUS Corporation	3%	Manulife Financial Corporation	3%
Goldcorp Inc.	5%	Thomson Corporation	3%	Sun Life Financial Inc.	2%
Royal Bank of Canada	5%	Petro-Canada	3%	Shaw Communication Inc.	2%
The Bank of Nova Scotia	5%	TransAlta Corp.	3%	Canadian National Railway Company	2%
Suncor Energy, Inc.	4%	Nexen Inc.	3%		
Cognos Inc.	4%	Imperial Oil Ltd.	3%		

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 for 2007	2.00	0.00	**2.00**
Total Distributions to Date	**$ 23.00**	**$ 5.50**	**$ 28.50**

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

Trading History

June 28, 1996 to December 31, 2007

Results of Operations

For the year ended December 31, 2007, the net asset value of the Fund for pricing purposes based on closing prices was $17.42 per unit compared to $18.37 per unit at December 31, 2006. The Fund's units listed on the Toronto Stock Exchange as FPI.UN closed on December 31, 2007 at $16.76 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 at elevated levels through the latter half of the year and remained sufficient to maintain option writing programs. However, due to the elevated volatility levels as well as a more defensive view on equity markets going into year end, the Fund increased its overwritten position and reduced its investment position towards the end of the year. The Fund purchased protective put options to mitigate the potential impact of a severe market decline.

The S&P/TSX Composite Index total return for the year was 9.8 percent. Technology was the best performing sector led by the strong performance of Research in Motion. Also contributing to the positive index return was the performance of the Materials and Telecommunication sectors while Health Care, Financials and Consumer Staples had negative returns. The one year total return for the Fund in Canadian dollars, including reinvestment of distributions, was 6.0 percent. For more detailed information on investment returns, please see the Annual Total Return bar graph and the Annual Compound Returns table on page 7 of this report.

During the year, 511,281 units were redeemed by the Fund. The Fund facilitated these redemptions by selling equities from the portfolio, resulting in no material impact on Fund performance.

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.

For December 31, 2007, the Net Assets included in the Net Assets per Unit table is from the Fund's financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices (see Notes 4 and 5 to the Financial Statements). All other calculations for the purposes of this MRFP are made using Net Asset Value.

Years ended December 31

	2007	2006	2005	2004	2003
THE FUND'S NET ASSETS PER UNIT					
Net Assets, beginning of year (based on bid prices)(1)	**$ 18.36(4)**	$ 19.43	$ 19.90	$ 20.31	$ 18.97
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	**0.37**	0.38	0.37	0.36	0.41
Total expenses	**(0.37)**	(0.35)	(0.35)	(0.36)	(0.59)
Realized gains (losses) for the period	**1.09**	1.83	1.30	2.19	0.24
Unrealized gains (losses) for the period	**(0.09)**	(0.99)	0.03	(0.61)	3.27
Total Increase (Decrease) from Operations(2)	**1.00**	**0.87**	**1.35**	**1.58**	**3.33**
DISTRIBUTIONS					
From net investment income	**(0.29)**	(0.29)	(0.26)	(0.22)	–
From capital gains	**(0.34)**	(1.01)	(0.45)	(0.56)	–
Non-taxable distributions	**(1.37)**	(0.70)	(1.29)	(1.22)	(2.00)
Total Annual Distributions(3)	**(2.00)**	**(2.00)**	**(2.00)**	**(2.00)**	**(2.00)**
Net Assets, as at December 31 (based on bid prices)(1)	**$ 17.40**	**$ 18.37**	**$ 19.43**	**$ 19.90**	**$ 20.31**

(1) Net Assets 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 and including the valuation of securities at bid prices divided by the number of units then outstanding. For years prior to 2007, securities were valued at closing prices. The change to the use of bid prices is due to new accounting standards set out by the Canadian Institute of Chartered Accountants relating to Financial Instruments. Refer to Note 4 to the financial statements for further discussion.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gains (losses), less expenses, 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 assets 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.
(4) Net Assets per unit has been adjusted for the Transition Adjustment - New Accounting Standards (see Note 4 to the Financial Statements).

RATIOS/SUPPLEMENTAL DATA

	2007	2006	2005	2004	2003
Net Asset Value ($millions)(1)	**$ 49.58**	$ 61.68	$ 87.24	$ 110.21	$ 122.85
Number of units outstanding(1)	**2,845,744**	3,357,025	4,490,351	5,538,445	6,047,391
Management expense ratio(2)	**1.91%**	1.83%	1.76%	1.79%	3.01%
Portfolio turnover rate(3)	**109.81%**	190.12%	234.60%	222.18%	118.96%
Trading expense ratio(4)	**0.15%**	0.24%	0.26%	0.27%	0.24%
Net Asset Value, per Unit(5)	**$ 17.42**	$ 18.37	$ 19.43	$ 19.90	$ 20.31
Closing market price	**$ 16.76**	$ 17.60	$ 18.60	$ 19.65	$ 20.20

(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 but excluding transaction fees charged to the Fund to the average net asset value. Management expense ratio for 2003 includes the special resolution expense. The management expense ratio for 2003 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 a percentage of the daily average net asset value during the period.
(5) 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 and including the valuation of securities at closing prices divided by the number of units then outstanding.

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 asset value 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 asset value 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

In 2007 we saw unprecedented declines in many mortgage related securities prices with spillover effects into a variety of other credit markets. We saw the Financial stocks in Canada sold on fears of a credit crunch and their sub-prime exposure. Crude oil was up on a mixture of geopolitical risks and supply concerns with the price for WTI Cushing Crude Oil making a high of $99.28 per barrel. Investors also bid up the price on Gold during the credit crises and on inflation fears.

In Canada the housing market is holding up well and the labour market has been fairly buoyant. However there are expectations for a slowdown in growth in 2008 with the weakness coming from the export sector due to the rapid ascent of the Canadian dollar.

Past Performance

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

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

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

(3) 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 ten 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 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, 2007 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	**6.01%**	6.37%	9.04%	6.51%
In order to meet regulatory requirements, the performance of a broader based market index has been included below.				
S&P/TSX Composite Index*	**9.83%**	16.93%	18.32%	9.47%

* 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.

Independent Review Committee

On September 19, 2006, the Canadian Securities Administrators approved the final version of National Instrument 81-107 - Independent Review Committee for Investment Funds ("NI 81-107"). NI 81-107 requires all publicly offered investment funds to establish an independent review committee ("IRC") to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions.

In accordance with NI 81-107, the IRC became operational on November 1, 2007. Members of the IRC are Robert W. Korthals, C. Edward Medland, and Michael M. Koerner.

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 approved 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 annual 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 21, 2008

Sheila S. Szela
Director
Mulvihill Fund Services Inc.

To the Unitholders of First Premium Income Trust

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, 2007, the statements of net assets as at December 31, 2007 and 2006, 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 as at December 31, 2007 and 2006, and the results of its operations, the changes in its net assets, and the net gain on sale of investments for the years then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
February 21, 2008

Statements of Net Assets

December 31, 2007 and 2006

	2007	2006
ASSETS		
Investments at fair value (cost - $42,093,734; 2006 - $56,449,241) (Note 4)	**$ 42,308,344**	$ 56,980,998
Short-term investments at fair value (cost - $7,341,981; 2006 - $4,936,842)	**7,341,981**	4,936,842
Cash	**1,440**	5,742
Interest receivable	**43,135**	10,645
Dividends receivable	**94,968**	125,235
TOTAL ASSETS	**49,789,868**	**62,059,462**
LIABILITIES		
Redemptions payable	**148,825**	245,338
Accrued liabilities	**116,049**	137,583
TOTAL LIABILITIES	**264,874**	**382,921**
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	**$ 49,524,994**	**$ 61,676,541**
Number of Units Outstanding (Note 6)	**2,845,744**	**3,357,025**
Net Assets per Unit	**$ 17.4032**	**$ 18.3724**

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, 2007 and 2006

	2007	2006
REVENUE		
Dividends	$ **868,919**	$ 1,032,500
Interest	**289,707**	489,036
TOTAL REVENUE	**1,158,626**	**1,521,536**
EXPENSES (Note 7)		
Management fees	**698,903**	946,502
Service fees	**161,562**	219,395
Administrative and other expenses	**77,727**	63,503
Transaction fees (Notes 3 and 10)	**86,990**	–
Custodian fees	**34,690**	41,475
Audit fees	**19,447**	15,956
Independent review committee fees	**739**	–
Legal fees	**5,574**	8,382
Unitholder reporting costs	**24,712**	28,915
Goods and services tax	**49,399**	72,000
TOTAL EXPENSES	**1,159,743**	**1,396,128**
Net Investment Income (Loss)	**(1,117)**	**125,408**
Net gain on sale of investments	**3,710,696**	5,369,179
Net gain (loss) on sale of derivatives	**(307,121)**	1,866,569
Net change in unrealized appreciation of investments	**(272,597)**	(3,915,817)
Net Gain on Investments	**3,130,978**	**3,319,931**
NET INCREASE IN NET ASSETS FROM OPERATIONS	$ **3,129,861**	$ **3,445,339**
NET INCREASE IN NET ASSETS FROM OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the year of 3,120,092; 2006 - 3,956,775)	$ **1.0031**	$ **0.8707**

Statements of Changes in Net Assets

Years ended December 31, 2007 and 2006

	2007	2006
NET ASSETS, BEGINNING OF YEAR	$ 61,676,541	$ 87,243,716
Transition Adjustment - New Accounting Standards (Note 4)	(44,550)	–
Net Increase in Net Assets from Operations	3,129,861	3,445,339
Unit Transactions (Note 6)		
Amount paid for units redeemed	(9,025,189)	(21,168,620)
Distributions to Unitholders (Note 8)		
From net investment income	(899,184)	(1,093,370)
From net gain on sale of investments	(1,032,872)	(3,895,698)
Non-taxable distributions	(4,279,613)	(2,854,826)
	(6,211,669)	(7,843,894)
Changes in Net Assets during the Year	(12,151,547)	(25,567,175)
NET ASSETS, END OF YEAR	$ 49,524,994	$ 61,676,541

Statements of Net Gain on Sale of Investments

Years ended December 31, 2007 and 2006

	2007	2006
Proceeds from Sale of Investments	$ 72,023,938	$ 147,324,593
Cost of Investments Sold		
Cost of investments, beginning of year	56,449,241	75,288,535
Cost of investments purchased	54,264,856	121,249,551
	110,714,097	196,538,086
Cost of Investments, End of Year	(42,093,734)	(56,449,241)
	68,620,363	140,088,845
NET GAIN ON SALE OF INVESTMENTS	$ 3,403,575	$ 7,235,748

Statement of Investments

December 31, 2007

	Par Value/ Number of Shares	Average Cost	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada, 3.99% - February 21, 2008	4,565,000	$ 4,506,195	$ **4,506,195**	
Government of Canada, 3.91% - March 6, 2008	2,865,000	2,835,786	**2,835,786**	
Total Treasury Bills		**7,341,981**	**7,341,981**	**99.4%**
Accrued Interest			**43,135**	**0.6%**
TOTAL SHORT-TERM INVESTMENTS		$ **7,341,981**	$ **7,385,116**	**100.0%**
INVESTMENTS				
Canadian Common Shares				
Consumer Discretionary				
Shaw Communication Inc.	50,000	$ 1,045,250	$ **1,179,500**	
Thompson Corporation	40,000	1,958,960	**1,611,200**	
Total Consumer Discretionary		**3,004,210**	**2,790,700**	6.6%
Consumer Staples				
Shoppers Drug Mart Corporation	25,000	**1,249,620**	**1,331,500**	3.1%
Energy				
Enbridge Inc.	34,000	1,269,483	**1,360,340**	
EnCana Corporation	42,000	2,774,100	**2,835,000**	
Husky Energy Inc.	30,000	1,267,581	**1,335,900**	
Imperial Oil Ltd.	25,000	1,251,750	**1,364,500**	
Petro-Canada	30,000	1,646,043	**1,597,500**	
Nexen Inc.	45,000	1,318,941	**1,442,700**	
Suncor Energy, Inc.	20,000	1,911,000	**2,158,200**	
TransCanada Corp.	43,000	1,716,251	**1,741,930**	
Total Energy		**13,155,149**	**13,836,070**	32.7%
Financials				
Manulife Financial Corporation	32,000	1,250,307	**1,294,400**	
Royal Bank of Canada	46,000	2,565,075	**2,331,740**	
Sun Life Financial Inc.	21,300	1,120,806	**1,184,067**	
The Bank of Nova Scotia	45,000	2,357,923	**2,257,200**	
The Toronto-Dominion Bank	35,000	2,474,333	**2,430,750**	
Total Financials		**9,768,444**	**9,498,157**	22.5%
Industrials				
Canadian National Railway Company	25,000	**1,329,766**	**1,166,250**	2.8%
Information Technology				
Cognos Inc.	34,000	**1,699,283**	**1,942,080**	4.6%
Materials				
Goldcorp Inc.	70,000	2,359,149	**2,362,500**	
Kinross Gold Corporation	130,000	2,015,026	**2,375,100**	
Teck Cominco Ltd. Cl B	20,000	900,024	**708,600**	
Yamana Gold Inc.	140,000	1,739,108	**1,793,400**	
Total Materials		**7,013,307**	**7,239,600**	17.1%

Statement of Investments

December 31, 2007

	Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Portfolio
INVESTMENTS (continued)				
Canadian Common Shares (continued)				
Telecommunication Services				
Rogers Communications, Class B	40,000	1,462,400	**1,799,600**	
TELUS Corporation	33,000	2,046,454	**1,631,190**	
Total Telecommunication Services		**3,508,854**	**3,430,790**	8.1 %
Utilities				
TransAlta Corp.	45,000	**1,455,700**	**1,498,500**	3.5 %
Total Canadian Common Shares		**$ 42,184,333**	**$ 42,733,647**	**101.0%**
OPTIONS				
Purchased Put Options (100 shares per contract)				
S&P/TSX 60 - January 2008 @ $753	77	$ 231,770	**$ 8,402**	
S&P/TSX 60 - January 2008 @ $754	60	146,580	**1,488**	
Total Purchased Put Options		**378,350**	**9,890**	0.0 %
Written Cash Covered Put Options (100 shares per contract)				
TransCanada Corporation - January 2008 @ $41	(320)	**(28,160)**	**(25,926)**	0.0 %
Written Covered Call Options (100 shares per contract)				
Canadian National Railway Company - January 2008 @ $51	(250)	(28,250)	**(282)**	
EnCana Corporation - January 2008 @ $66	(210)	(42,210)	**(48,051)**	
Goldcorp Inc. - January 2008 @ $34	(350)	(43,050)	**(43,018)**	
Kinross Gold Corporation - January 2008 @ $18	(650)	(44,850)	**(38,680)**	
Rogers Communications Inc., Class B - January 2008 @ $44	(200)	(20,800)	**(36,808)**	
Royal Bank of Canada - January 2008 @ $54	(230)	(31,280)	**(3,302)**	
Shaw Communication Inc. - January 2008 @ $25	(250)	(11,500)	**(519)**	
Shoppers Drug Mart Corporation - January 2008 @ $56	(125)	(10,187)	**(436)**	
Sun Life Financial Services Inc. - January 2008 @ $56	(213)	(21,087)	**(20,247)**	
Suncor Energy, Inc. - January 2008 @ $105	(100)	(35,500)	**(45,150)**	
Teck Cominco Ltd. Cl B - January 2008 @ $34	(200)	(35,600)	**(57,425)**	
The Bank of Nova Scotia - January 2008 @ $51	(225)	(9,000)	**(15,333)**	
The Toronto-Dominion Bank - January 2008 @ $75	(175)	(19,250)	**(991)**	
Thomson Corporation - February 2008 @ $41	(400)	(39,200)	**(56,025)**	
TransCanada Corp. - January 2008 @ $40	(430)	(9,890)	**(43,000)**	
Total Written Covered Call Options		**(401,654)**	**(409,267)**	(1.0)%
TOTAL OPTIONS		**$ (51,464)**	**$ (425,303)**	**(1.0)%**
Adjustment for transaction costs (Note 3)		**$ (39,135)**		
TOTAL INVESTMENTS		**$ 42,093,734**	**$ 42,308,344**	**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 value determined as follows:

Securities are valued at fair value, which is determined by the closing bid price on the recognized stock exchange on which the securities are listed or principally traded. If no bid prices are available, the securities are valued at the closing sale price.

Short-term investments are included in the statement of investments at their cost including applicable foreign exchange translations. This value, together with accrued interest, approximates fair value at bid price.

Listed options are valued at market values as reported on recognized exchanges. Over the counter options are valued using the Black-Scholes valuation model.

Transaction Fees

Transaction fees have been expensed as incurred and included in the transaction fees line in the Statement of Financial Operations. Transaction fees are costs that are directly attributable to portfolio transactions which include fees and commissions paid to brokers and dealers. Prior to adoption of CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement" and Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" (see Note 4), transaction fees were capitalized and included in the cost of purchases or proceeds from sale of investments. There is no impact on net assets or results of operations as a result of this change in accounting policy for the transaction fees.

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.

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

4. New Accounting Standards

The Fund has adopted, effective January 1, 2007, the Canadian Institute of Chartered Accountants new accounting standards relating to Financial Instruments. The new standards require that the fair value of securities which are traded in active markets be measured based on bid price and transaction fees, such as brokerage commissions, incurred in the purchase or sale of securities by the Fund be charged to net income in the period incurred. These new standards have been adopted retrospectively with no restatement of prior periods' comparative amounts.

As a result of the adoption of these new standards, the Fund recorded a transition adjustment to the opening net assets in the amount of $44,550. This transition adjustment represents the adjustment to fair value of investments from the closing sale price to the closing bid price as of December 31, 2006.

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. The relief is effective until September 2008.

5. Net Asset Value and Net Assets

For financial statement reporting purposes, the Fund applies Canadian generally accepted accounting principles requiring the Fund to value its securities using bid price. However, pursuant to a temporary exemption provided by the Canadian securities regulatory authorities, the Fund can calculate its net asset value using last sale price.

The difference between the net asset value for pricing purposes and the net assets reflected in the financial statements is as follows:

	2007
Net Asset Value (for pricing purposes)	**$17.42**
Difference	**(0.02)**
Net Assets (for financial statement purposes)	**$17.40**

6. 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:

	2007	2006
Units outstanding, beginning of year	**3,357,025**	4,490,351
Units redeemed	**(511,281)**	(1,133,326)
Units outstanding, end of year	**2,845,744**	**3,357,025**

Under the terms of the normal course issuer bid that was renewed in May 2007, the Fund proposes to purchase, if considered advisable, up to a maximum of 334,272 units (2006 - 444,607 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, 2008 or until the Fund has purchased the maximum number of units permitted under the bid. As at December 31, 2007, no units (2006 - nil) 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.

7. 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.

8. 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.

9. 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 2007 or 2006.

Issue costs of approximately $0.3 million (2006 - $0.7 million) remain undeducted for tax purposes at year-end.

10. Transaction Fees

Total transaction fees paid for the year ended December 31, 2007 in connection with portfolio transactions were $86,990 (2006 - $186,440). In 2006, transaction fees were recorded in unrealized and realized gains and losses on investments. Of this amount $49,825 (2006 - $73,130) was directed for payment of trading related goods and services.

11. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments and certain derivative contracts (options). As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include market risk, interest rate risk, and derivative financial instruments risk.

These risks and related risk management practices employed by the Fund are discussed below:

Market Risk

The Fund's equity, debt securities and trading derivatives are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Portfolio consists primarily of securities of Canadian companies in the top 200 of the TSX Composite Index by market capitalization. Net Asset Value per Unit varies as the value of the securities in the Portfolio varies. The Fund has no control over the factors that affect the value of the securities in the Portfolio. The Fund's market risk is managed by taking a long-term perspective while focusing on quality businesses that consistently deliver strong returns for shareholders and utilizing an option writing program.

Interest Rate Risk

The market price of the Units may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV of the Fund resulting from an increase in interest rates may also negatively affect the market price of the Units. To mitigate this risk, excess cash and cash equivalents are invested at short-term market interest rates.

Use of Options and Other Derivative Instruments

The Fund may from time to time write covered call options in respect of all or part of the common shares in the Portfolio. In addition, the Fund may write cash covered put options in respect of securities in which the Fund is permitted to invest. The Fund is subject to the full risk of its investment position in securities that are subject to outstanding call options and those securities underlying put options written by the Fund, should the market price of such securities decline. In addition, the Fund will not participate in any gain on the securities that are subject to outstanding call options above the strike price of such options. To mitigate risk due to market declines the Fund writes options to expire at varied points in time to reduce the risk associated with all options expiring on the same date.

In purchasing call or put options, the Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations. The maximum credit risk exposure is the aggregate of all contracts with a positive value as disclosed in the statement of investments. The Fund manages these risks through the use of various risk limits and trading strategies

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 as at December 31, 2007:

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

12. Future Accounting Policy Changes

On December 1, 2006, the CICA issued two new accounting standards: Handbook Section 3862, "Financial Instruments - Disclosures", and Handbook Section 3863, "Financial Instruments - Presentation" which replaces Handbook Section 3861, "Financial Instruments - Disclosure and Presentation". These new standards became effective for the Fund on January 1, 2008. These two new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than $2.6 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, 2007 to December 31, 2007	
MULVIHILL PLATINUM			
Mulvihill *Government Strip Bond Fund*	GSB.UN	$ 22.40	$ 19.40
Mulvihill Pro-AMS *U.S. Fund*	PAM.UN	$ 22.62	$ 20.70
Mulvihill Pro-AMS *100 Plus (Cdn $) Fund*	PRC.UN	$ 19.40	$ 17.30
Mulvihill Pro-AMS *100 Plus (U.S. $) Fund*	PRU.U	$ 16.50	$ 14.01
Mulvihill Pro-AMS *RSP Split Share Fund*	SPL.A/SPL.B	$ 9.95/$ 15.50	$ 8.02/$ 13.31
MULVIHILL PREMIUM			
Mulvihill *Core Canadian Dividend Fund*	CDD.UN	$ 10.25	$ 7.63
Mulvihill Premium *Canadian Fund*	FPI.UN	$ 18.75	$ 15.32
Mulvihill Premium *60 Plus Fund*	SIX.UN	$ 17.99	$ 15.05
Mulvihill Premium *Global Plus Fund*	GIP.UN	$ 12.00	$ 9.87
Mulvihill Premium *Canadian Bank Fund*	PIC.A/PIC.PR.A	$ 11.68/$ 16.32	$ 8.00/$ 14.41
Mulvihill Premium *Split Share Fund*	MUH.A/MUH.PR.A	$ 7.87/$ 15.55	$ 5.40/$ 14.77
Mulvihill Premium *Global Telecom Fund*	GT.A/GT.PR.A	$ 0.30/$ 14.10	$ 0.10/$ 12.40
Mulvihill *S Split Fund*	SBN/SBN.PR.A	$ 15.00/$ 10.61	$ 9.25/$ 9.55
Mulvihill *Top 10 Canadian Financial Fund*	TCT.UN	$ 15.80	$ 13.40
Mulvihill *Top 10 Split Fund*	TXT.UN/TXT.PR.A	$ 10.99/$ 14.25	$ 7.75/$ 12.47
Mulvihill *World Financial Split Fund*	WFS/WFS.PR.A	$ 12.93/$ 10.95	$ 7.87/$ 9.40

Board of Advisors

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Chairman & President,
Mulvihill Capital Management Inc.

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Vice President, Finance & CFO,
Mulvihill Capital Management Inc.

Michael M. Koerner*
Corporate Director

Robert W. Korthals*
Corporate Director

C. Edward Medland*
President, Beauwood Investments Inc.

**Independent Review Committee*

Information

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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 *60 Plus Fund*
Mulvihill Premium *Global Plus Fund*
Mulvihill Premium *Canadian Bank Fund*
Mulvihill Premium *Split Share Fund*
Mulvihill Premium *Global Telecom Fund*
Mulvihill *S Split 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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