Mulvihill

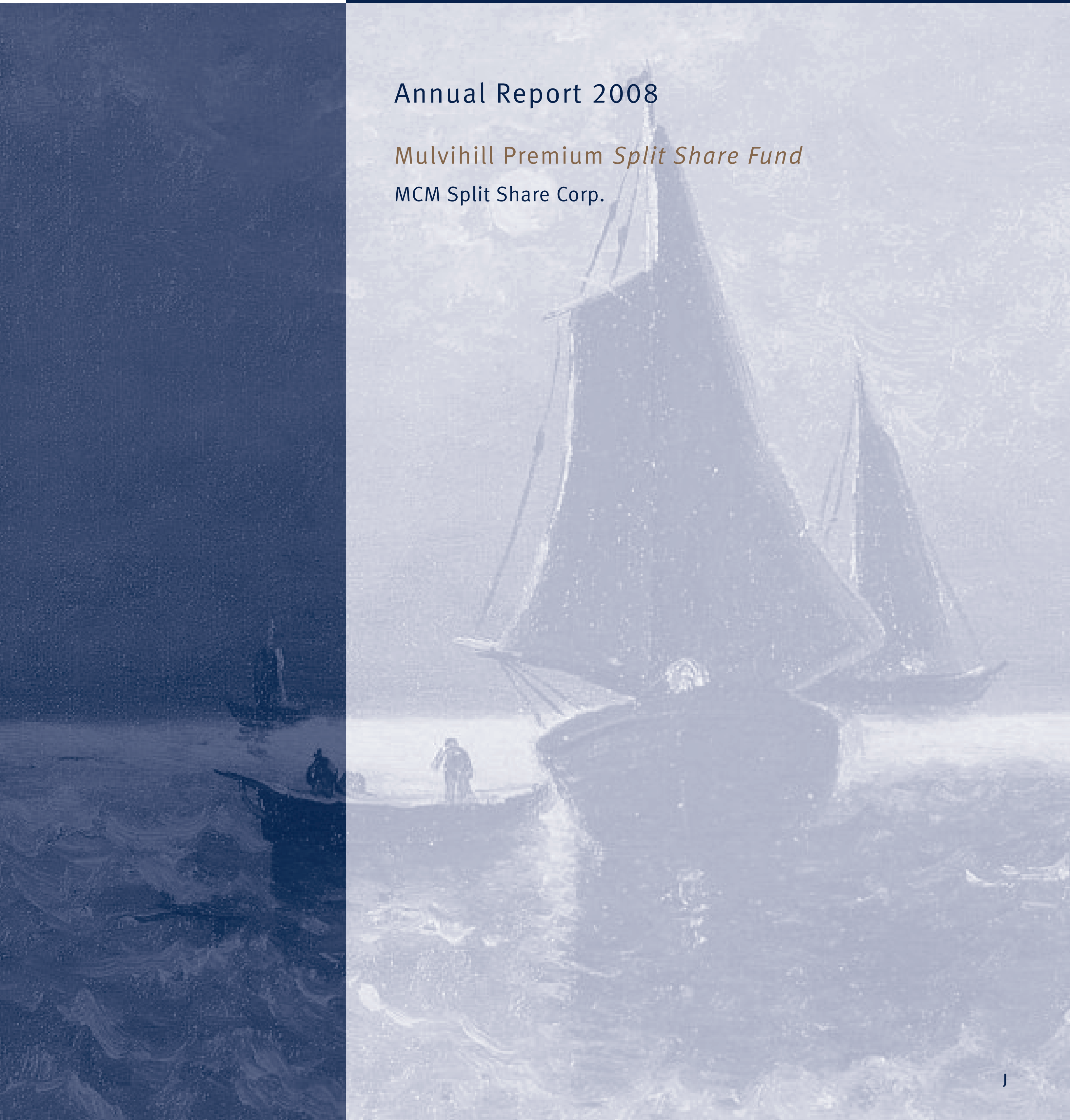
Mulvihill Structured Products

Hybrid Income Funds

Annual Report 2008

Mulvihill Premium *Split Share Fund*

MCM Split Share Corp.



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Message to Shareholders

We are pleased to present the annual financial results of MCM Split Share Corp., which operates as Mulvihill Premium Split Share 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 1998. On December 12, 2007, a proposal was approved by shareholders resulting in a change of the investment objectives of the Fund. The Fund's investment objectives are to:

(1) Provide Priority Equity shareholders with quarterly cash dividends to yield 5.50 percent per annum based on the original issue price;

(2) Provide Class A shareholders with quarterly dividends in an amount initially targeted to be 10 percent per annum of the net asset value of the Class A Shares from time to time; and

(3) Return, at a minimum, the original issue prices of the shares to shareholders upon windup on February 1, 2013.

To accomplish these objectives the Fund will invest its net assets in a diversified portfolio of common shares selected from the S&P/TSX Composite Index and up to 40 percent selected from the S&P 100 Index. 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 January 31, 2008, the Fund earned an annual total return of negative 1.5 percent. Distributions amounting to $2.048004 per unit were paid during the year, resulting in an overall decline in the net asset value from $22.81 per Unit as at January 31, 2007 to $20.48 per Unit as at January 31, 2008.

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

	2008	2007	2006	2005	2004
Annual Total Fund Return	(1.53)%	3.28%	10.76%	1.40%	17.67%
Priority Equity Share Distribution Paid (target of $0.8250 per share)	$ 0.848004	$ 0.862270	$ 0.861321	$ 0.835481	$ 0.825000
Class A Share Distribution Paid (target of $1.20 per share)	$ 1.200000	$ 1.200000	$ 1.200000	$ 1.200000	$ 1.200000
Ending Net Asset Value per Unit (initial issue price was $25.00 per unit)	$ 20.48	$ 22.81	$ 24.12	$ 23.76	$ 25.47

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

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

Mulvihill Premium *Split Share Fund* [MUH.A/MUH.PR.A]

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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 January 31, 2008 of MCM Split Share Corp. which operates as Mulvihill Premium Split Share 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

Prior to December 12, 2007, the Fund's investment objectives were to: (i) provide Preferred shareholders with quarterly cash dividends to yield 5.50 percent per annum based on the original issue price; (ii) provide Class A shareholders with all excess realized income of the Fund as each fiscal year end; and (iii) return, at a minimum, the original issue prices of the shares to shareholders at the termination of the Fund.

On December 12, 2007, a proposal was approved by shareholders resulting in a change of the investment objectives of the Fund. The Fund's investment objectives are to: (i) provide Priority Equity shareholders with quarterly cash dividends to yield 5.50 percent per annum based on the original issue price; (ii) provide Class A shareholders with quarterly dividends in an amount initially targeted to be 10 percent per annum of the net asset value of the Class A Shares from time to time; and (iii) return, at a minimum, the original issue prices of the shares to shareholders upon windup on February 1, 2013.

The Fund achieves its investment objectives by investing its net assets in a diversified portfolio consisting principally of common shares issued by some or all of a group selected from the S&P/TSX Composite Index. In order to meet its investment objectives, the Fund may, from time to time invest up to 40 percent of the cost amount of its assets in common shares issued by corporations selected from the S&P 100 Index. To generate additional returns above the dividend income earned on the portfolio, the Fund may from time to time, write covered call options in respect of all or part of the common shares in the Portfolio.

Risk

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.

Another risk factor is the impact of foreign exchange fluctuations on the value of the Fund's non-Canadian holdings. To minimize the impact of foreign exchange fluctuations the Fund actively hedged its U.S. dollar exposure and ended the year fully hedged against fluctuations in the exchange rate for Canadian dollars.

In order to generate income, the Fund writes covered call options in respect of all or part of the securities held 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 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

January 31, 2008

	% OF NET ASSET VALUE*		% OF NET ASSET VALUE*		% OF NET ASSET VALUE*
Cash and Short-Term Investments	52%	Information Technology	9%	Telecommunications Services	3%
Energy	41%	Consumer Discretionary	6%	Other Assets (Liabilities)	(69)%
Financials	31%	Consumer Staples	5%		
Materials	19%	Industrials	3%		

*The Net Asset Value excludes the Priority Equity share liability.

Top 25 Holdings

January 31, 2008

	% OF NET ASSET VALUE*		% OF NET ASSET VALUE*		% OF NET ASSET VALUE*
Cash and Short-Term Investments	52%	Enbridge Inc.	5%	Petro-Canada	4%
EnCana Corporation	12%	Goldcorp Inc.	5%	General Electric Company	3%
Manulife Financial Corporation	8%	Oracle Corp.	5%	Microsoft Corp.	3%
Suncor Energy, Inc.	8%	Kinross Gold Corporation	5%	Rogers Communications Inc., Class B	3%
Royal Bank of Canada	7%	Imperial Oil Ltd.	5%	Nexen Inc.	3%
The Toronto-Dominion Bank	7%	Shoppers Drug Mart Corporation	5%	Shaw Communications Inc.	3%
Barrick Gold Corp.	6%	TransCanada Corp.	4%	Thomson Corporation	3%
The Bank of Nova Scotia	5%	Sun Life Financial Inc.	4%	Teck Cominco Ltd. Cl B	3%

*The Net Asset Value excludes the Priority Equity share liability.

Distribution History

INCEPTION DATE: FEBRUARY 1998	CLASS A REGULAR DISTRIBUTION	CLASS A SPECIAL DISTRIBUTION	TOTAL CLASS A DISTRIBUTION	REGULAR PRIORITY EQUITY DISTRIBUTION
Total for 1998	$ 0.8137	$ 0.0000	**$ 0.8137**	**$ 0.586000**
Total for 1999	1.2000	0.1000	**1.3000**	**0.860391**
Total for 2000	1.2000	1.7500	**2.9500**	**0.858075**
Total for 2001	1.2000	0.5000	**1.7000**	**0.862526**
Total for 2002	1.2000	0.1000	**1.3000**	**0.862169**
Total for 2003	1.2000	0.0000	**1.2000**	**0.825000**
Total for 2004	1.2000	0.0000	**1.2000**	**0.835481**
Total for 2005	1.2000	0.0000	**1.2000**	**0.852761**
Total for 2006	1.2000	0.0000	**1.2000**	**0.861412**
Total for 2007	1.2000	0.0000	**1.2000**	**0.857422**
Total for 2008	0.3000	0.0000	**0.3000**	**0.206250**
Total Distributions to Date	**$11.9137**	**$ 2.4500**	**$14.3637**	**$ 8.467487**

Distributions are shown above on a calendar year basis to reflect amounts subject to tax in the year in which they are paid.
For complete distribution history and income tax information, please see our website at www.mulvihill.com.

Trading History

February 24, 1998 to January 31, 2008

Results of Operations

For the year ended January 31, 2008 the net asset value of the Fund for pricing purposes based on closing prices was $20.48 per unit compared to $22.81 per unit at January 31, 2007. The Fund's Priority Equity shares listed on the Toronto Stock Exchange as MUH.PR.A closed on January 31, 2008 at $13.36 per share. The Fund's Class A shares listed on the Toronto Stock Exchange as MUH.A closed on January 31, 2008 at $5.45 per share.

Distributions totalling $0.848004 per share were made to the Priority Equity shareholders during the year, maintaining a 5.5 percent yield based on the initial price of the shares.

Distributions totalling $1.20 per share were made to the Class A shareholders during the year, equaling the 8.0 percent yield based on the initial price of the shares.

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 U.S. dollar was weak against most major world currencies and declined negative 14.8 percent against the Canadian dollar, which was driven by stronger commodity prices, particularly oil and gold. The Fund actively hedged its U.S. dollar exposure during the year and finished the year with its U.S. exposure fully hedged against fluctuations in the exchange rate for Canadian dollars.

For the year ended January 31, 2008 the S&P/TSX Composite Index total return for the year was 3.5 percent. Technology and resource stocks contributed positively to the index return with such names as Research in Motion, Barrick Gold Corp., Alcan Inc. and Potash Corporation of Saskatchewan leading the way. Financial names such as Canadian Imperial Bank of Commerce and The Bank of Montreal negatively impacted the index. The MSCI EAFE Index had a total return of 0.6 percent in U.S. dollar terms while it declined negative 14.5 percent in Canadian dollar terms and it outperformed the S&P 100 Index, which returned negative 1.4 percent in U.S. dollars and negative 16.2 percent in Canadian. The one-year total return for the Fund in Canadian dollars, including reinvestment of distributions, was negative 1.5 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, 2,375,253 units were redeemed by the Fund. The Fund facilitated these redemptions by selling equities from the portfolio, resulting in large cash balances held at year end.

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 5 years. This information is derived from the Fund's audited annual financial statements.

For January 31, 2008, 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 3 and 4 to the Financial Statements). All other calculations for the purposes of this MRFP are made using Net Asset Value.

Years ended January 31

	2008	2007	2006	2005	2004
THE FUND'S NET ASSETS PER UNIT					
Net Assets, beginning of year, (based on bid prices)(1)	$ 22.80(4)	$ 24.12	$ 23.76	$ 25.47	$ 23.48
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	**0.42**	0.52	0.40	0.38	0.46
Total expenses	**(0.64)**	(0.36)	(0.37)	(0.40)	(0.38)
Realized gains (losses) for the period	**0.58**	1.87	1.35	1.44	1.97
Unrealized gains (losses) for the period	**(0.34)**	(1.27)	0.97	(1.09)	1.87
Total Increase (Decrease) from Operations(2)	**0.02**	**0.76**	**2.35**	**0.33**	**3.92**
DISTRIBUTIONS					
Priority Equity Share					
From taxable income	**(0.61)**	(0.29)	(0.29)	(0.71)	(0.83)
From capital gains	**(0.24)**	(0.57)	(0.57)	(0.13)	–
Total Priority Equity Share Distributions	**(0.85)**	**(0.86)**	**(0.86)**	**(0.84)**	**(0.83)**
Class A Share					
From taxable income	**(0.30)**	–	–	(0.83)	(1.20)
From capital gains	**(0.90)**	(1.20)	(1.20)	(0.37)	–
Total Class A Share Distributions	**(1.20)**	**(1.20)**	**(1.20)**	**(1.20)**	**(1.20)**
Total Annual Distributions(3)	**(2.05)**	**(2.06)**	**(2.06)**	**(2.04)**	**(2.03)**
Net Assets, as at January 31, (based on bid prices)(1)	**$ 20.46**	**$ 22.81**	**$ 24.12**	**$ 23.76**	**$ 25.47**

(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 excluding Redeemable Priority Equity shares of the Fund 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 3 to the financial statements for further discussion.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, net of withholding taxes and foreign exchange gains (losses), realized and unrealized gains (losses), less expenses, excluding Priority Equity share distributions, 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 are based on the number of shares 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 3 to the Financial Statements).

RATIOS/SUPPLEMENTAL DATA

	2008	2007	2006	2005	2004
Net Asset Value, excluding liability for Redeemable Priority Equity shares and unamortized premium on issue of Priority Equity shares ($ millions)(1)	**$ 43.19**	$ 102.32	$ 109.18	$ 120.58	$ 83.80
Net Asset Value ($ millions)(1)	**$ 11.55**	$ 35.02	$ 41.22	$ 44.37	$ 34.45
Number of units outstanding(1)	**2,109,366**	4,484,619	4,527,116	5,075,565	3,290,565
Management expense ratio(2)	**2.74%**	1.54%	1.55%	1.62%	1.56%
Portfolio turnover rate(3)	**99.57%**	189.41%	253.18%	197.79%	175.26%
Trading expense ratio(4)	**0.14%**	0.23%	0.28%	0.25%	0.39%
Net Asset Value, per Unit(5)	**$ 20.48**	$ 22.81	$ 24.12	$ 23.76	$ 25.47
Closing market price - Priority Equity	**$ 13.36**	$ 15.35	$ 15.45	$ 15.87	$ 15.99
Closing market price - Class A	**$ 5.45**	$ 7.28	$ 8.06	$ 9.08	$ 11.19

(1) This information is provided as at January 31. One Unit consists of one Class A share and one Priority Equity share.
(2) Management expense ratio is the ratio of all fees and expenses, including goods and service taxes and capital taxes but excluding transaction fees, income taxes and Priority Equity share distributions, charged to the Fund to the average net asset value, excluding the liability for the Redeemable Priority Equity shares. Management ratio expense for 2008 includes special resolution expense. The management ratio expense for 2008 excluding the special resolution expense is 1.62%.
(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 and the Management Agreement calculated monthly as 1/12 of 1.15 percent of the net asset value of the Fund at each month end, excluding the Redeemable Priority Equity shares liability. Services received under the Investment Management Agreement include the making of all investment decisions and 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, excluding the Redeemable Priority Equity shares liability. Services received under the Management Agreement include providing or arranging for required administrative services to the Fund.

Recent Developments

In the year ended January 31, 2008 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 and the US being 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 reaching a high of $98.74 per barrel in early January. Investors also bid up the price on Gold during the credit crises and on inflation fears.

In the U.S. heading into 2008, there are risks to the growth outlook mainly due to housing, uncertainty as to whether there will be any spillover effects from housing to the rest of the economy especially consumer spending. There is further uncertainty on the political front with 2008 being an election year in the US. Headline inflation continues to be a risk worldwide and we are seeing Asian countries allowing their currencies to appreciate to fight inflation. In Europe, we could see a slowing of economic activity in Spain and U.K. due to the housing sector as well as some slowing down in exports due to the strong appreciation of the Euro in 2007. China and India are currently showing no signs of a slowdown however a slowdown in the west could result in a cooling down of Asian export based economies in general. In Canada the housing and 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 that:

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

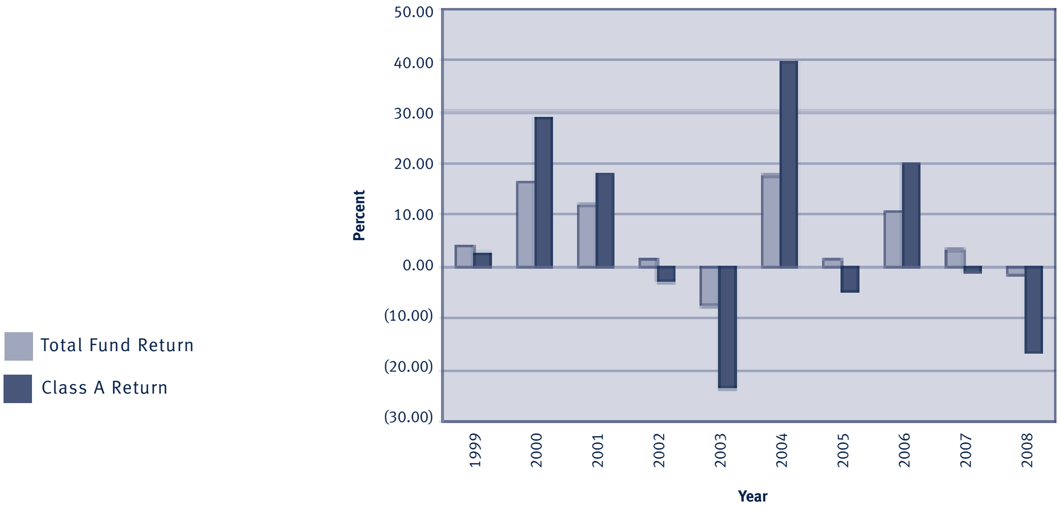
(2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(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 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 February 1 in each year or the date of inception in 1998 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 January 31, 2008 as compared to the performance of the S&P/TSX Composite Index.

(In Canadian Dollars)	One Year	Three Years	Five Years	Since Inception*
Mulvihill Premium Split Share Fund	**(1.53)%**	4.05 %	6.09%	5.52%
Mulvihill Premium Split Share Fund – Class A	**(16.63)%**	(0.39)%	5.61%	4.30%
Mulvihill Premium Split Share Fund – Priority Equity	**5.77 %**	5.84 %	5.76%	5.77%

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

S&P/TSX Composite Index**	**3.46 %**	15.21 %	17.31%	8.53%

* From date of inception on February 12, 1998.
** 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 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 February 12, 1998.

Mulvihill Fund Services Inc. ("Mulvihill") is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill dated February 12, 1998, 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 forwardlooking statements.

Management's Responsibility for Financial Reporting

The accompanying financial statements of MCM Split Share Corp. (operating as Mulvihill Premium Split Share 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 Directors (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 2 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 Audit Committee 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 Audit Committee and the Board.

John P. Mulvihill
Director
Mulvihill Fund Services Inc.
February 21, 2008

Sheila S. Szela
Director
Mulvihill Fund Services Inc.

To the Shareholders of Mulvihill Premium Split Share Corp.

We have audited the accompanying statement of investments of MCM Split Share Corp. (operating as Mulvihill Premium Split Share Fund) (the "Fund") as at January 31, 2008, the statements of financial position as at January 31, 2008 and 2007, and the statements of operations and deficit, of changes in net assets and of changes in 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 January 31, 2008 and 2007, and the results of its operations, the changes in its net assets, and its investments for 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 Financial Position

January 31, 2008 and 2007

	2008	2007
ASSETS		
Investments at fair value (cost - $51,425,210; 2007 - $85,545,228) (Note 3)	**$ 50,234,859**	$ 85,968,189
Short-term investments at fair value (cost - $22,568,421; 2007 - $13,572,798)	**22,571,909**	13,555,718
Cash	**5,748**	6,147
Interest and dividends receivable	**161,167**	162,764
Due from brokers - investments	**13,564,297**	11,291,766
Due from brokers - derivatives	**–**	219,694
TOTAL ASSETS	**$ 86,537,980**	**$ 111,204,278**
LIABILITIES		
Redemptions payable	**$ 42,938,149**	$ 867,212
Accrued liabilities	**439,974**	127,914
Due to brokers - investments	**–**	7,892,601
Due to brokers - derivatives	**–**	350
	43,378,123	**8,888,077**
Redeemable Priority Equity shares (Note 5)	**31,640,490**	67,269,285
Unamortized premium on issue of priority equity shares (Note 5)	**–**	24,693
	75,018,613	**76,182,055**
EQUITY		
Class A and Class B shares (Note 5)	**24,409,901**	53,958,649
Deficit	**(12,890,534)**	(18,936,426)
	11,519,367	**35,022,223**
TOTAL LIABILITIES AND EQUITY	**$ 86,537,980**	**$ 111,204,278**
Number of Units Outstanding (Note 5)	**2,109,366**	**4,484,619**
Net Assets per Unit		
Class A share	**$ 5.4611**	$ 7.8149
Priority Equity share (Note 2)	**15.0000**	15.0000
	$ 20.4611	**$ 22.8149**

On Behalf of the Board of Directors,

John P. Mulvihill, Director

Robert W. Korthals, Director

Statements of Operations and Deficit

Years ended January 31, 2008 and 2007

	2008	2007
REVENUE		
Interest, net of foreign exchange	**$ 231,571**	$ 776,330
Dividends, net of foreign exchange	**1,631,885**	1,631,817
Withholding taxes	**(39,236)**	(47,642)
	1,824,220	**2,360,505**
Net realized gains on investments	**927,706**	5,839,322
Net realized gains on derivatives	**1,621,461**	2,631,046
Net realized losses on short-term investments	**(14,776)**	(9,774)
Total Net Realized Gains	**2,534,391**	**8,460,594**
TOTAL REVENUE	**4,358,611**	**10,821,099**
EXPENSES (Note 6)		
Management fees	**1,215,419**	1,327,663
Administrative and other expenses	**118,947**	70,355
Transaction fees (Notes 2 and 9)	**132,129**	–
Custodian fees	**37,983**	51,931
Audit fees	**30,258**	16,804
Director fees	**20,727**	20,427
Independent review committee fees	**1,668**	–
Legal fees	**6,123**	6,254
Shareholder reporting costs	**34,622**	29,744
Capital tax	**30,000**	9,188
Goods and services tax	**83,566**	95,998
TOTAL EXPENSES	**1,711,442**	**1,628,364**
Net Realized Income before Special Resolution Expense and Distributions	**2,647,169**	**9,192,735**
Special Resolution Expense (Note 1)	**(1,089,500)**	–
Net Realized Income before Distributions	**1,557,669**	**9,192,735**
Priority equity share distributions	**(3,680,261)**	(3,901,264)
Net Realized Income (Loss)	**(2,122,592)**	**5,291,471**
Net change in unrealized appreciation/depreciation of investments	**(1,527,537)**	(5,736,857)
Net change in unrealized appreciation/depreciation of short-term investments	**24,935**	(17,561)
Total Net Change in Unrealized Appreciaton/Depreciation	**(1,502,602)**	**(5,754,418)**
Amortization of Premium on Issue of Priority Equity Shares	**24,693**	**24,692**
	(1,477,909)	**(5,729,726)**
NET LOSS FOR THE YEAR	**$ (3,600,501)**	**$ (438,255)**
NET LOSS PER CLASS A SHARE		
(based on the weighted average number of Class A shares outstanding during the year of 4,376,725; 2007 - 4,524,795)	**$ (0.8226)**	**$ (0.0969)**
DEFICIT		
Balance, beginning of year	**$ (18,936,426)**	$ (13,263,625)
Transition Adjustment - New Accounting Standards (Note 3)	**(85,775)**	–
Net allocations on retractions	**14,937,821**	194,753
Net loss for the year	**(3,600,501)**	(438,255)
Distributions on Class A shares	**(5,205,653)**	(5,429,299)
BALANCE, END OF YEAR	**$ (12,890,534)**	**$ (18,936,426)**

Statements of Changes in Net Assets

Years ended January 31, 2008 and 2007

	2008	2007
NET ASSETS, BEGINNING OF YEAR	$ 35,022,223	$ 41,223,697
Transition Adjustment - New Accounting Standards (Note 3)	(85,775)	–
Net Realized Income before Distributions	1,557,669	9,192,735
Class A Share Capital Transactions		
Amount paid for units redeemed	(14,610,927)	(333,920)
Amortization of Premium on Issue of Priority Equity Shares	24,693	24,692
Distributions		
Priority Equity shares (Note 8)		
From taxable income	(2,609,809)	(1,341,169)
From net realized gain on investments	(1,070,452)	(2,560,095)
Class A shares		
From taxable income	(1,246,446)	–
From net realized gain on investments	(3,959,207)	(5,429,299)
	(8,885,914)	(9,330,563)
Net Change in Unrealized Appreciation/Depreciation of Investments	(1,502,602)	(5,754,418)
Changes in Net Assets during the Year	(23,502,856)	(6,201,474)
NET ASSETS, END OF YEAR	$ 11,519,367	$ 35,022,223

The statement of changes in net assets excludes cash flows pertaining to the Priority Equity shares as they are reflected as liabilities. During the year, amounts paid for the redemption of 2,375,253 Priority Equity shares (2007 - 42,497) totalled $35,628,795 (2007 - $637,455).

Statements of Changes in Investments

Years ended January 31, 2008 and 2007

	2008	2007
INVESTMENTS AT FAIR VALUE, BEGINNING OF YEAR	$ 85,968,189	$ 100,205,384
Transition Adjustment - New Accounting Standards (Note 3)	(85,775)	–
Unrealized Appreciation of Investments, Beginning of Year	(337,186)	(6,159,818)
Investments at Cost, Beginning of Year	85,545,228	94,045,566
Cost of Investments Purchased during the Year	81,476,338	167,986,147
Cost of Investments Sold during the Year		
Proceeds from sales	118,145,523	184,956,853
Net realized gains on sales	2,549,167	8,470,368
	115,596,356	176,486,485
Investments at Cost, End of Year	51,425,210	85,545,228
Unrealized Appreciation/Depreciation of Investments, End of Year	(1,190,351)	422,961
INVESTMENTS AT FAIR VALUE, END OF YEAR	$ 50,234,859	$ 85,968,189

Statement of Investments

January 31, 2008

	Number of Shares/ Par Value	Average Cost	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada, 3.85% - March 6, 2008	6,810,000	$ 6,748,156	$ **6,748,156**	
Government of Canada, 3.50% - May 1, 2008	10,090,000	9,990,232	**9,990,232**	
Total Treasury Bills		**16,738,388**	**16,738,388**	73.8%
Discount Commercial Paper				
Business Development Corporation, USD, 2.68% - February 27, 2008	1,530,000	1,539,487	**1,539,487**	
Canadian Wheat Board, USD, 3.82% - February 6, 2008	1,255,000	1,258,126	**1,261,294**	
Canadian Wheat Board, USD, 3.82% - April 2, 2008	780,000	782,902	**782,902**	
Export Development Corporation, USD, 4.16% - February 25, 2008	15,000	14,721	**14,966**	
Export Development Corporation, USD, 3.67% - February 27, 2008	10,000	10,157	**10,034**	
Total Discount Commercial Paper		**3,605,393**	**3,608,683**	15.9%
Bonds				
Export Development Corporation, 5.800% - August 1, 2008	2,200,000	**2,224,640**	**2,224,838**	9.8%
		22,568,421	**22,571,909**	**99.5%**
Accrued Interest			**118,167**	**0.5%**
TOTAL SHORT-TERM INVESTMENTS		$ **22,568,421**	$ **22,690,076**	**100.0%**
INVESTMENTS				
Canadian Common Shares				
Consumer Discretionary				
Shaw Communications Inc.	68,000	$ 1,421,540	$ **1,336,880**	
Thomson Corporation	35,000	1,714,090	**1,249,500**	
Total Consumer Discretionary		**3,135,630**	**2,586,380**	5.2%
Consumer Staples				
Shoppers Drug Mart Corporation	41,000	**2,049,377**	**2,013,100**	4.0%
Energy				
Enbridge Inc.	56,000	2,097,086	**2,242,800**	
EnCana Corporation	78,000	5,151,900	**5,162,820**	
Imperial Oil Ltd.	41,500	2,077,905	**2,048,440**	
Nexen Inc.	50,000	1,465,490	**1,434,000**	
Petro-Canada	35,000	1,920,384	**1,597,050**	
Suncor Energy, Inc.	37,000	3,535,350	**3,490,580**	
TransCanada Corp.	45,000	1,796,077	**1,777,950**	
Total Energy		**18,044,192**	**17,753,640**	35.3%
Financials				
Manulife Financial Corporation	93,000	3,679,290	**3,517,260**	
Royal Bank of Canada	60,000	3,345,750	**3,038,400**	
Sun Life Financial Inc.	35,000	1,841,700	**1,736,000**	
The Bank of Nova Scotia	48,000	2,515,118	**2,312,640**	
The Toronto-Dominion Bank	42,000	2,970,483	**2,856,420**	
Total Financials		**14,352,341**	**13,460,720**	26.8%

Statement of Investments (continued)

January 31, 2008

	Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Portfolio
INVESTMENTS (continued)				
Canadian Common Shares (continued)				
Materials				
Barrick Gold Corp.	50,000	2,087,340	**2,590,500**	
Goldcorp Inc.	60,000	2,005,499	**2,240,400**	
Kinross Gold Corporation	100,000	1,531,590	**2,215,000**	
Teck Cominco Ltd. Cl B	33,000	1,485,040	**1,081,740**	
Total Materials		**7,109,469**	**8,127,640**	16.2 %
Telecommunication Services				
Rogers Communications Inc., Class B	**38,000**	**1,389,280**	**1,458,820**	2.9 %
Total Canadian Common Shares		**$ 46,080,289**	**$ 45,400,300**	**90.4 %**
United States Common Shares				
Industrials				
General Electric Company	42,000	**$ 1,725,428**	**$ 1,496,023**	3.0 %
Information Technology				
Microsoft Corp.	45,000	1,492,261	**1,474,941**	
Oracle Corp.	108,000	2,316,115	**2,232,147**	
Total Information Technology		**3,808,376**	**3,707,088**	7.4 %
Total United States Common Shares		**$ 5,533,804**	**$ 5,203,111**	**10.4 %**
Forward Exchange Contracts				
Sold USD $2,675,000, Bought CAD $2,441,763 @ 1.09552 - February 6 , 2008			**$ (255,598)**	
Sold USD $1,885,000, Buy CAD $1,800,176 @ 1.04712 - February 13 , 2008			**(100,927)**	
Sold USD $735,000, Buy CAD $736,975 @ 0.99732 - March 12, 2008			**(4,797)**	
Sold USD $240,000, Buy CAD $243,803 @ 0.98440 - March 12 , 2008			**1,592**	
Sold USD $745,000, Buy CAD $751,531 @ 0.99131 - March 26 , 2008			**(531)**	
Sold USD $2,530,000, Buy CAD $2,605,776 @ 0.97092 - April 9 , 2008			**51,072**	
Sold USD $1,340,000, Buy CAD $1,334,515 @ 1.00411 - April 23, 2008			**(18,979)**	
Total Forward Exchange Contracts			**$ (328,168)**	**(0.7)%**
OPTIONS				
Written Covered Call Options (100 shares per contract)				
EnCana Corporation - February 2008 @ $68	(390)	$ (65,520)	**$ (21,656)**	
Oracle Corp. - February 2008 @ $22	(1,080)	(70,281)	**(18,728)**	
Total Written Covered Call Options		**(135,801)**	**(40,384)**	(0.1)%
TOTAL OPTIONS		**$ (135,801)**	**$ (40,384)**	**(0.1)%**
Adjustment for transaction fees (Note 2)		**$ (53,082)**		
TOTAL INVESTMENTS		**$ 51,425,210**	**$ 50,234,859**	**100.0 %**

1. Corporate Information

MCM Split Share Corp. (the "Fund") is a mutual fund corporation incorporated under the laws of the Province of Ontario on December 5, 1997. The Fund was inactive prior to the initial public offering of Preferred shares and Class A shares on February 12, 1998. All shares outstanding on February 1, 2013 will be redeemed by the Fund on that date, unless otherwise determined by a majority vote of each class of shareholders.

The Fund operates under the registered name Mulvihill Premium Split Share Fund.

Prior to December 12, 2007, the Fund's investment objectives were to:

(i) provide Preferred shareholders with quarterly cash dividends to yield 5.50 percent per annum based on the original issue price;

(ii) provide Class A shareholders with all excess realized income of the Fund as each fiscal year end; and

(iii) return, at a minimum, the original issue prices of the shares to shareholders at the termination of the Fund.

On December 12, 2007, shareholders voted in favour of a proposal (the "Proposal") to:

(a) in respect of both classes of shares:

(i) extend the ultimate redemption date of the Class A Shares and the Preferred Shares for an additional term of five years;

(ii) provide holders of Class A Shares and Preferred Shares with a special retraction right (the ''Special Retraction Right'') to enable such holders to redeem their shares on January 31, 2008 on the same terms that would have applied had the Fund redeemed all Class A Shares and Preferred Shares in accordance with the existing terms of the shares; and

(iii) change the Fund's investment restrictions to permit the Fund to invest up to a maximum of 40 percent of its net assets in common shares issued by companies selected from the S&P 100 Index and to eliminate the rating agency requirements originally adopted with respect to portfolio investments because the Priority Equity Shares will not be rated;

(b) in respect of the Class A Shares:

(i) acknowledge that the Fund proposes to pay dividends on the Class A Shares in an amount initially targeted to be approximately 10 percent of the net asset value of a Class A Share;

(ii) authorize the Fund to pay a service fee on the Class A Shares of 0.40 percent per annum of the value of the Class A Shares;

(iii) in connection with the Special Retraction Right, in order to maintain the same number of Class A Shares and Priority Equity Shares outstanding, authorize the Fund to consolidate the Class A Shares; and

(iv) allocate all costs of the Reorganization, consisting primarily of soliciting dealer and financial advisory fees, to the holders of the Class A shares that remain outstanding after the Reorganization;

(c) in respect of the Preferred Shares:

(i) change the name of the Preferred Shares to ''Priority Equity Shares'';

(ii) adopt a portfolio protection plan for holders of Priority Equity Shares;

(iii) set the dividend rate on the Priority Equity Shares at 5.50 percent per annum on the $15.00 original issue price and eliminate the capital gains gross-up portion of the dividend entitlement;

(iv) in connection with the Special Retraction Right, in order to maintain the same number of Class A Shares and Priority Equity Shares outstanding, provide the Fund with the ability to redeem such shares on a pro rata basis; and

(d) make other changes consequential to the foregoing,

The Fund invests in a diversified portfolio consisting principally of common shares issued by some or all of the group of corporations selected from S&P/TSX Composite Index. The Fund may invest up to 40 percent of the cost amount of its assets in common shares issued by some or all of a group of corporations selected from the S&P 100 Index.

To generate additional returns above the dividend income earned on the portfolio, the Fund will 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 may also use put options to preserve the value of the portfolio where appropriate. 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 or the government of the United States or short-term commercial paper with a rating of at least R-1(mid).

Foreign exchange forward contracts may be used to hedge the Fund's exposure to potential fluctuations in foreign exchange. The hedging strategy can include the hedging of all or a portion of the currency exposure of an existing investment or group of investments and will vary based upon the manager's assessment of market conditions. There can be no assurance that the use of foreign exchange forward contracts will be effective. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

2. 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 fair values as reported on recognized exchanges. Over the counter options are valued using the Black-Scholes valuation model.

The value of a forward contract shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract, as the case may be, was to be closed out.

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 3), 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 net realized 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 Exercise of purchased put options whereby realized gains or losses are equivalent to the realized gain or loss from disposition of the related investments at the exercise price of the option less the premium paid; and

(iii) Sale of purchased 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.

Redeemable Priority Equity Shares

Each Redeemable Priority Equity share is valued for financial statement purposes at the lesser of: (i) $15.00; and (ii) the net asset value of the Fund divided by the number of Priority Equity shares outstanding.

Premium on Priority Equity Shares

Premium on Priority Equity shares net of issue costs is amortized over the remaining life of the Fund. The premium on Priority Equity shares retracted will be recognized on the date they are retracted.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date.

Foreign exchange gains (losses) on short-term investments and dividends are reflected as interest income (loss) and dividend income. Other foreign exchange gains (losses) are recorded as realized or unrealized gain (loss) on investments, as appropriate.

Cash Flow Statements

Cash flow statements have not been prepared as all relevant information has been included in the Statements of Changes in Net Assets, Statements of Changes in Investments and elsewhere in these financial statements.

3. New Accounting Standards

The Fund has adopted, effective February 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 $85,775. This transition adjustment represents the adjustment to fair value of investments from the closing sale price to the closing bid price as of January 31, 2007.

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.

4. 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:

	2008
Net Asset Value (for pricing purposes)	**$20.48**
Difference	**(0.02)**
Net Assets (for financial statement purposes)	**$20.46**

5. Share Capital

The Fund is authorized to issue an unlimited number of Priority Equity and Class A shares and 1,000 Class B shares.

All Priority Equity shares and Class A shares outstanding on February 1, 2013 will be redeemed by the Fund on that date, unless otherwise determined by a majority vote of each class of shareholders.

Priority Equity shares and Class A shares may be surrendered at any time for retraction at specified retraction amounts. Holders of Priority Equity shares and Class A shares may concurrently retract one Priority Equity share and one Class A share (together, a "Unit") on a January 31 valuation date at their net asset values. Shares retracted at any other valuation date or not retracted concurrently at a January 31 valuation date will be retracted at a discount to net asset value. Under the terms of a Recirculation Agreement, the Fund may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Priority Equity shares and Class A shares tendered for retraction. The Priority Equity shares rank in priority to the Class A shares and the Class A shares rank in priority to the Class B shares with respect to thepayment of dividends and repayment of capital on the dissolution, liquidation or winding up of the Fund.

Holders of Priority Equity shares and Class A shares were provided with a special retractions right to enable such holders to redeem their shares on January 31, 2008 on the same terms that would have applied has the Fund redeemed all Class A shares and Priority Equity shares in accordance with the previously existing terms of the shares. In connection with the special retraction right, in order to maintain the same number of Class A shares and Priority Equity shares outstanding. The Fund redeemed 219,779 Priority Equity shares on a pro-rata basis.

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of $1.00 per share.

Class B shares are entitled to one vote per share. Priority Equity shares and Class A shares are entitled to vote on certain shareholder matters.

The Fund's Priority Equity shares have been classified as liabilities in accordance with Canadian generally accepted accounting principles. Accordingly, net income for the year is stated after Priority Equity share distributions.

During the year, 2,375,253 Units (2007 - 42,497 Units) were redeemed.

Issued and Outstanding

	2008	2007
2,109,366 Priority Equity shares (2007 – 4,484,619)	**$ 31,640,490**	**$ 67,269,285**
2,109,366 Class A shares (2007 – 4,484,619)	**$ 24,408,901**	$ 53,957,649
1,000 Class B shares (2007 – 1,000)	**1,000**	1,000
	$ 24,409,901	**$ 53,958,649**

Under the terms of the normal course issuer bid that was renewed in November 2007, the Fund proposes to purchase, if considered advisable, up to a maximum of 426,762 Class A shares (2007 - 446,472) and up to a maximum of 426,762 Priority Equity shares (2007 - 446,472) 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 November 12, 2008 or until the Fund has purchased the maximum number of shares permitted under the bid. As at January 31, 2008, no shares (2007 - nil) have been purchased by the Fund.

Shareholders 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 Split Share Fund, Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

6. 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 manager in the ordinary course of business relating to the Fund's operations.

Fees are paid to Mulvihill Capital Management Inc. ("MCM") under the terms of an investment management agreement and to Mulvihill Fund

Services Inc. ("Mulvihill") under the terms of a management agreement. The fees are comprised of monthly fees calculated at 1/12 of 1.15 percent and 1/12 of 0.10 percent, respectively, of the net assets of the Fund at each month end, excluding the Redeemable Priority Equity shares liability.

The Fund will pay a service fee which will be paid to each dealer whose clients hold Class A shares. The service fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.40 percent annually of the net asset value of the Class A shares held by clients of the dealer.

7. Income Taxes

The Fund is a "mutual fund corporation" as defined in the Income Tax Act (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. The Fund is generally subject to a tax of 33 1/3 percent under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends. The Fund is also subject to tax on the amount of its interest and foreign dividend income that is not offset by operating expenses and share issue expenses.

The Fund is also a "financial intermediary corporation" as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid on taxable preferred shares.

Under the dividend policy of the Fund, premiums received in respect of written options that are still outstanding at year end are not to be distributed in the year to the shareholders.

No amount is payable on account of income taxes in 2008 or 2007.

Accumulated non-capital losses of approximately $1.2 million (2007 - $1.2 million) and capital losses of approximately $3.6 million (2007 - $3.6 million) are available for utilization against net investment income and realized gains on sale of investments, respectively, in future years. The capital losses can be carried forward indefinitely. The non-capital losses expire as follows:

Expiration Date	Amount
2010	$ 0.8
2015	0.4
Total	**$ 1.2**

Issue costs of approximately $1.7 million (2007 – 1.3 million) remain undeducted for tax purposes at year end.

The Fund has offset the future tax liability for refundable taxes payable with the refund expected upon payment of capital gains or ordinary dividends. As a result, the future tax liability for refundable taxes payable is eliminated.

8. Distributions

Priority Equity shares are entitled to a cumulative preferential quarterly dividend of $0.20625 per share payable on the last day of April, July, October and January in each year. Until January 11, 2008, to the extent that a quarterly dividend is a capital gains dividend funded by net realized capital gains or option premiums, holders of Priority Equity shares will receive an additional capital gains dividend of $0.068 for each $1.00 of Priority Equity share dividend so funded.

9. Transaction Fees

Total transaction fees paid for the year ended January 31, 2008 in connection with portfolio transactions were $132,129 (2007 - $244,981). In 2007, the transaction fees were recorded in unrealized and realized gains and loses on investments. Of this amount $82,648 (2007 - $78,391) was directed for payment of trading related goods and services.

10. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments and certain derivative contracts (options and foreign exchange forward contracts). 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, derivative financial instruments risk and foreign currency 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. 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 Priority Equity Shares and Class A Shares 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 Priority Equity Shares or Class A Shares. 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 or entering into forward or future contracts, 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 January 31, 2008:

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+
U.S. Dollar		
Citgroup Inc.	AA-	A-1+
Lehman Brothers Holdings Inc.	A+	A-1
The Toronto-Dominion Bank	AA-	A-1+
UBS AG	AA	A-1+

Foreign Currency Exposure

The Portfolio includes securities and options denominated in U.S. dollars. The net asset value of the Fund and the value of the dividends and option premiums received by the Fund will be affected by fluctuations in the value of the U.S. dollar relative to the Canadian dollar. The Fund uses foreign exchange contracts to actively hedge a portion of its U.S. dollar exposure.

11. 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 February 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.

Statement of Corporate Governance Practices

The Board of Directors of the Fund is responsible for the overall stewardship of the Fund's business and affairs. The Fund has investment objectives and investment strategies that are set out in the prospectus of the Fund. The Fund's manager, Mulvihill Fund Services Inc. (the "Manager"), administers many functions associated with the operations of the Fund pursuant to a management agreement entered into at the time the Fund issued its shares to the public. Under this agreement the Manager is responsible for day to day operations of the Fund including the payment of distributions on its shares and attending to the retraction or redemption of its shares in accordance with their terms.

The Board consists of five directors, three of whom are independent of the Fund. The Board believes that the number of directors is appropriate for the Fund and only directors independent of the Fund are compensated. Amounts paid as compensation are reviewed for adequacy to ensure that they realistically reflect the responsibilities and risk involved in being an effective director. Individual directors may engage an outside advisor at the expense of the Fund in appropriate circumstances subject to the approval of the Board.

To assist the Board in its monitoring of the Fund's financial reporting and disclosure, the Board has an Audit Committee. The Audit Committee consists of three members, all of whom are independent of the Fund. The responsibilities of the Audit Committee include, but are not limited to, review of the annual financial statements and the annual audit performed by the external auditor, and oversight of the Fund's compliance with tax and securities laws and regulations. The Audit Committee has direct communication channels with the external auditor to discuss and review specific issues as appropriate.

The Board is responsible for developing the Fund's approach to governance issues and, together with the Investment Manager, is evolving a best practices governance procedure.

The Fund maintains an Investor Relations line and web site to respond to inquiries from shareholders.

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.

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 February 01, 2007 to January 31, 2008	
MULVIHILL PLATINUM			
Mulvihill *Government Strip Bond Fund*	GSB.UN	$ 22.40	$ 19.40
Mulvihill Pro-AMS *U.S. Fund*	PAM.UN	$ 22.62	$ 20.80
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	$ 10.00	$ 7.35
Mulvihill Premium *Canadian Fund*	FPI.UN	$ 18.75	$ 15.32
Mulvihill Premium *60 Plus Fund*	SIX.UN	$ 17.99	$ 14.00
Mulvihill Premium *Global Plus Fund*	GIP.UN	$ 11.75	$ 9.14
Mulvihill Premium *Canadian Bank Fund*	PIC.A/PIC.PR.A	$ 11.68/$ 16.25	$ 7.00/$ 14.41
Mulvihill Premium *Split Share Fund*	MUH.A/MUH.PR.A	$ 7.56/$ 15.65	$ 4.70/$ 13.06
Mulvihill Premium *Global Telecom Fund*	GT.A/GT.PR.A	$ 0.30/$ 14.10	$ 0.08/$ 12.40
Mulvihill *S Split Fund*	SBN/SBN.PR.A	$ 15.00/$ 10.61	$ 8.20/$ 9.55
Mulvihill *Top 10 Canadian Financial Fund*	TCT.UN	$ 15.75	$ 12.50
Mulvihill *Top 10 Split Fund*	TXT.UN/TXT.PR.A	$ 10.80/$ 13.74	$ 6.41/$ 12.12
Mulvihill *World Financial Split Fund*	WFS/WFS.PR.A	$ 12.93/$ 10.95	$ 5.55/$ 9.40

Board of Directors

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

Sheila S. Szela
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.

**Audit Committee/Independent Review Committee*

Information

Auditors:
Deloitte & Touche LLP
Brookfield Place
181 Bay Street, Suite 1400
Toronto, Ontario M5J 2V1

Transfer Agent:
Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1

Shares Listed:
Toronto Stock Exchange
trading under
MUH.A/MUH.PR.A

Custodian:
RBC Dexia Investor Services
Royal Trust Tower
77 King Street West, 11th Floor
Toronto, Ontario M5W 1P9

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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Fax: 416 681-3901
e-mail: hybrid@mulvihill.com

Contact your broker directly for address changes.

Mulvihill

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