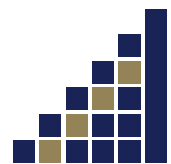


MCM SPLIT SHARE CORP. [MUH.A/MUH.PR.A]

Annual Report 2001

January 31, 2001 and 2000

Investment Management by Mulvihill Capital Management Inc.



Auditors' Report

To the Shareholders

We have audited the accompanying statement of investments of MCM Split Share Corp. (the "Company") as at January 31, 2001, the statements of financial position as at January 31, 2001 and 2000, and the statements of operations and retained earnings, of changes in net assets and of changes in investments for the years then ended, and the statements of financial highlights for each of the periods or years (since inception) in the three year period ended January 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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 Company and its investments as at dates indicated above, and the results of its operations, the changes in its net assets and investments, and the financial highlights for the periods indicated above, in accordance with Canadian generally accepted accounting principles.

(signed) Deloitte and Touche LLP

Chartered Accountants

Toronto, Ontario
March 10, 2000

Statements of Financial Position

January 31, 2001 and 2000

	2001	2000
Assets		
Investments at market value (average cost - \$86,194,087; 2000 - \$121,735,918)	\$ 86,652,625	\$ 122,795,100
Cash and cash equivalents	10,557,076	3,901,508
Interest, dividends and other receivables	322,289	958,636
	97,531,990	127,655,244
Liabilities		
Accounts payable and accrued liabilities	151,040	223,173
Redeemable preferred shares (Note 4)	49,401,225	60,463,200
Net redemptions payable	-	8,062,032
	49,552,265	68,748,405
Equity		
Class A and class B shares (Note 4)	43,615,295	55,390,567
Retained earnings	3,971,766	2,472,950
Unrealized appreciation in the market value of assets	392,664	1,043,322
	47,979,725	58,906,839
Total Liabilities and Equity	\$ 97,531,990	\$ 127,655,244
Net Asset Value Per Class A Share	\$ 14.5681	\$ 14.6136

On behalf of the Board,

(signed)

Director: John P. Mulvihill

(signed)

Director: Robert W. Korthals

Statements of Operations and Retained Earnings

Years Ended January 31, 2001 and 2000

	2001	2000
Revenue		
Interest	\$ 1,974,577	\$ 1,790,569
Dividends	1,270,076	1,659,421
Withholding taxes	(20,649)	(30,986)
	3,224,004	3,419,004
Net Realized Gains on Investments and Options	12,114,088	11,839,412
	15,338,092	15,258,416
Expenses (Note 5)		
Management fees	1,346,758	1,574,448
Administrative and other expenses	139,529	118,622
GST and capital taxes	104,040	115,986
	1,590,327	1,809,056
Net Income Before Distributions and Income Taxes	13,747,765	13,449,360
Income Tax Expense (Recovery) (Note 6)	65,693	(7,866)
Net Income Before Distributions	13,682,072	13,457,226
Preferred Share Distributions	2,894,766	3,774,716
Net Income	\$ 10,787,306	\$ 9,682,510
Retained Earnings		
Balance, beginning of year	\$ 2,472,950	\$ 657,343
Net income	10,787,306	9,682,510
Distributions on class A shares	(9,288,490)	(7,866,903)
Balance, End of Year	\$ 3,971,766	\$ 2,472,950

Financial Statements

Statements of Changes in Net Assets

Years ended January 31, 2001 and 2000

	2001	2000
Share Capital Transactions		
Class A shares redeemed, net	\$ (11,775,272)	\$ (7,844,179)
Net Income Before Distributions	13,682,072	13,457,226
Distributions to Unitholders (Note 6)		
Preferred Shares (Note 7)	(2,894,766)	(3,774,716)
Class A Shares	(9,288,490)	(7,866,903)
	(12,183,256)	(11,641,619)
Change in Net Unrealized Appreciation/(Depreciation) of Assets During the Year	(650,658)	6,057,364
Change in Equity During the Year	(10,927,114)	28,792
Equity, Beginning of Year	58,906,839	58,878,047
Equity, End of Year	\$ 47,979,725	\$ 58,906,839

Statements of Changes in Investments

Years ended January 31, 2001 and 2000

	2001	2000
Investments at Market Value, Beginning of Year	\$ 122,795,100	\$ 129,837,486
Unrealized (Appreciation) Depreciation of Investments, Beginning of Year	(1,059,182)	5,011,252
Investments at Cost, Beginning of Year	121,735,918	134,848,738
Cost of Investments Purchased During the Year	57,851,213	99,850,174
Cost of Investments Sold During the Year		
Proceeds from sales	105,507,132	124,802,406
Net realized gains on sales	(12,114,088)	(11,839,412)
	93,393,044	112,962,994
Investments at Cost, End of Year	86,194,087	121,735,918
Unrealized Appreciation of Investments, End of Year	458,538	1,059,182
Investments at Market Value, End of Year	\$ 86,652,625	\$ 122,795,100

Statement of Investments

January 31, 2001

	Par Value/ No. of Shares	Average Cost (\$)	Market Value (\$)	% of Portfolio
Investments				
Canadian Bonds				
Federal Guaranteed Bonds				
Canadian Mortgage and Housing Corp.-7.000% - June 1, 2001	22,645,000	\$ 22,772,714	\$ 22,777,171	26.3%
Canadian Common Stocks				
Metals and Minerals				
Alcan Aluminium Ltd.	60,000	2,973,500	3,247,200	3.7%
Gold and Precious Metals				
Placer Dome Inc.	90,000	1,697,875	1,197,000	1.4%
Oil and Gas				
Anderson Exploration Ltd.	55,000	1,557,250	1,608,750	
Imperial Oil Ltd.	35,000	1,219,917	1,226,750	
Nexen Inc.	55,000	1,321,250	1,922,250	
Petro-Canada	70,000	1,614,326	2,446,500	
Total Oil and Gas		5,712,743	7,204,250	8.3%
Paper and Forest Products				
Domtar Inc.	140,000	2,540,358	1,673,000	1.9%
Industrial Products				
ATI Technologies Inc.	105,000	1,966,639	1,081,500	
Bombardier Inc., Class B	140,000	1,559,704	3,435,600	
Celestica Inc.	20,000	1,745,703	2,020,000	
Magna International Inc., Class A	35,000	3,422,240	2,362,500	
Mitel Corp.	56,100	1,475,666	930,138	
Nortel Networks Corp.	90,000	2,645,636	5,274,900	
Total Industrial Products		12,815,588	15,104,638	17.4%
Transportation and Environmental Services				
Canadian National Railway Co.	30,000	1,357,230	1,672,200	1.9%
Pipelines				
TransCanada PipeLines Ltd.	105,000	2,787,600	1,701,000	2.0%
Utilities				
BCE Inc.	89,000	2,493,883	3,822,550	4.4%
Communications and Media				
Thomson Corp.	31,000	1,716,750	1,735,690	2.0%
Merchandising				
Loblaws Companies Ltd.	29,000	1,421,580	1,371,700	1.6%
Financial Services				
Canadian Imperial Bank of Commerce	70,000	3,133,403	3,679,900	
Manulife Financial Corp.	30,000	1,259,516	1,246,500	
Royal Bank of Canada	40,000	1,922,625	1,928,000	
Sun Life Financial Services of Canada	41,000	1,360,050	1,439,100	
Toronto-Dominion Bank	54,700	1,997,032	2,415,005	
Total Financial Services		9,672,626	10,708,505	12.4%

MCM Split Share Corp.

Financial Statements

Statement of Investments (continued)

January 31, 2001

	Par Value/ No. of Shares	Average Cost (\$)	Market Value (\$)	% of Portfolio
Investments (continued)				
Canadian Common Stocks (continued)				
Conglomerates				
Canadian Pacific Ltd.	50,000	2,027,983	2,312,500	2.7%
Total Canadian Common Stocks		47,217,716	51,750,233	59.7%
Common Stocks - U.S.A.				
Data Processing and Reproduction				
Microsoft Corp.	25,000	3,440,963	2,292,136	
Oracle Corp.	18,000	909,217	787,162	
Total Data Processing and Reproduction		4,350,180	3,079,298	3.6%
Electrical and Electronics				
General Electric Co.	20,000	1,322,507	1,381,381	1.6%
Electrical Components and Instruments				
Texas Instruments Inc.	5,000	477,847	328,829	0.4%
Energy Equipment and Services				
Halliburton Co.	26,000	1,768,325	1,608,018	1.9%
Food and Household Products				
Procter & Gamble Co.	20,000	2,040,347	2,157,357	2.5%
Health and Personal Care				
Amgen Inc.	10,000	941,461	1,055,743	1.2%
Telecommunications				
AT&T Corp.	45,000	2,577,102	1,620,946	
Lucent Technologies Inc.	39,000	2,787,414	1,089,189	
Nextel Communications Inc., Class A	24,000	1,200,905	1,236,486	
Total Telecommunications		6,565,421	3,946,621	4.5%
Total Common Stock - U.S.A.		17,466,088	13,557,247	15.7%
	Number of Contracts	Proceeds (\$)	Market Value (\$)	% of Portfolio
Options				
Written Call Options (100 Shares per Contract)				
Alcan Aluminium Ltd. - April 2001 @ \$55	(300)	(77,400)	(88,500)	
Amgen Inc. - April 2001 @ USD \$65	(100)	(101,752)	(152,027)	
Anderson Exploration Ltd. - February 2001 @ \$30	(183)	(43,554)	(16,470)	
Anderson Exploration Ltd. - February 2001 @ \$32	(183)	(31,659)	(4,575)	
Canadian Imperial Bank of Commerce - April 2001 @ \$50	(300)	(81,900)	(131,367)	
Canadian Pacific Ltd. - February 2001 @ \$45	(200)	(30,000)	(39,602)	
Canadian Pacific Ltd. - March 2001 @ \$45	(200)	(22,600)	(61,000)	
Celestica Inc. - February 2001 @ \$90	(100)	(63,800)	(195,500)	
Loblaws Companies Ltd. - April 2001 @ \$51	(210)	(41,370)	(16,892)	
Manulife Financial Corp. - April 2001 @ \$44	(300)	(61,200)	(55,647)	
Nexen Inc. - March 2001 @ \$35	(275)	(39,600)	(51,634)	
Nextel Communications Inc. - March 2001 @ USD \$35	(160)	(90,525)	(126,126)	
Nortel Networks Corp. - February 2001 @ \$50	(200)	(144,600)	(192,000)	
Oracle Corp. - March 2001 @ USD \$35	(140)	(83,215)	(26,277)	

Statement of Investments (continued)

January 31, 2001

	Number of Contracts	Proceeds (\$)	Market Value (\$)	% of Portfolio
Options (continued)				
Written Covered Call Options (continued) (100 Shares per Contract)				
Petro-Canada - February 2001 @ \$40	(175)	(16,147)	(5,250)	
Petro-Canada - March 2001 @ \$40	(175)	(20,650)	(5,250)	
Royal Bank of Canada - February 2001 @ \$50	(200)	(29,600)	(9,000)	
Sun Life Financial Services of Canada - April 2001 @ \$38	(200)	(32,100)	(27,500)	
Thomson Corp. - April 2001 @ \$58	(200)	(41,800)	(50,640)	
Toronto-Dominion Bank - April 2001 @ \$48	(150)	(31,950)	(16,500)	
Toronto-Dominion Bank - February 2001 @ \$44	(200)	(32,200)	(26,894)	
Total Written Covered Call Options		(1,117,622)	(1,298,651)	(1.5)%
Written Cash Covered Put Options (100 Shares per Contract)				
ATI Technologies Inc. - April 2001 @ \$10	(370)	(45,510)	(34,724)	
Placer Dome Inc. - April 2001 @ \$14	(450)	(46,350)	(73,125)	
Wal-Mart Stores Inc. - March 2001 @ \$50	(170)	(52,949)	(25,526)	
Total Written Cash Covered Put Options		(144,809)	(133,375)	(0.2)%
Total Options		(1,262,431)	(1,432,026)	(1.7)%
Total Investments		\$86,194,087	\$86,652,625	100.0%

Statements of Financial Highlights

Years ended January 31

	2001	2000	1999*
Data Per Unit - Class A Shares			
Net Asset Value, Beginning of Year	\$ 14.61	\$ 12.77	\$ 14.25**
Income from Investment Operations			
Net investment income	0.45	0.36	0.72
Net gain (loss) on investments	2.26	3.28	(1.09)
Total from investment operations	2.71	3.64	(0.37)
Distributions to Shareholders			
From net investment income	-	-	(0.25)
From net realized gains on sale of investments	(2.75)	(1.80)	(0.86)
Total distributions	(2.75)	(1.80)	(1.11)
Net Asset Value, End of Year	\$ 14.57	\$ 14.61	\$ 12.77
Ratios/Supplemental Data			
Total net assets (Class A shares), end of year (\$millions)	\$ 47.98	\$ 58.91	\$ 58.88
Average net assets (Class A shares) (\$millions)	\$ 57.81	\$ 62.00	\$ 55.28
Management expense ratio	1.54%	1.43%	1.92%
Portfolio turnover rate	53.69%	79.27%	77.37%
Annual rate of return	18.56%	28.52%	N/A

* For the period from inception on February 12, 1998 to January 31, 1999.

** Net of agent fees.

Notes to the Financial Statements

1. Corporate Information

The Company is a mutual fund corporation incorporated under the laws of the Province of Ontario on December 5, 1997. The Company 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, 2008 will be redeemed by the Company on that date.

The Company invests in a diversified portfolio consisting principally of common shares issued by some or all of the group of corporations selected from TSE 300 Index. The Company may invest up to 20% of the cost amount of its assets in common shares issued by some or all of a group of corporations selected from the Standard & Poor's 100 Index.

To generate additional returns above the dividend income earned on the portfolio, the Company 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 Company may write cash covered put options in respect of securities in which the Company is permitted to invest. The Company 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).

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies:

Investment valuation policies

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

Shares or other securities for which market quotations are readily available are valued at the closing sale price or, if there is no sale price, the average of the closing bid and ask prices.

Listed options are valued at market values as reported on recognized exchanges. Over the counter options are valued using an appropriate valuation model.

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

Policies for the recognition of investment appreciation, depreciation and income

Realized gains and losses on investment sales, which are included in income, and unrealized appreciation or depreciation in investment values, which are included in a separate component of shareholders' equity, are calculated on the average cost basis.

Option premiums paid or received are deferred and included in investments on the statement of financial position. Income is recognized when options are exercised, expired or are closed out.

Deferred gains and losses on options are recognized in investments and as a component of net unrealized appreciation (depreciation) in the value of investments in shareholders' equity.

Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned.

3. Statements of Financial Highlights

The following explanatory notes pertain to the Statements of Financial Highlights:

(a) Net investment income (loss) per Class A Share is calculated based on the weighted average number of Class A Shares outstanding during the year.

(b) Net gain (loss) on investments per Class A Share includes the impact of timing of shareholder transactions.

(c) Distributions to Class A shareholders are based on the number of Class A Shares outstanding on the record date for each distribution.

(d) Management expense ratio is the ratio of all fees and expenses, including income taxes, charged to the Company to average net assets.

(e) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by average net assets during the year.

(f) Annual rate of return represents the historical annual total rate of return of an investment in a Class A Share for the year, assuming reinvestment of distributions. Returns are not reported in the year that the Company was established.

4. Share Capital

The Company is authorized to issue an unlimited number of Preferred and Class A Shares and 1,000 Class B Shares.

Issued and outstanding:

	2001	2000
3,293,415 Preferred Shares (2000 - 4,030,880)	\$ 49,401,225	\$ 60,463,200
3,293,415 Class A Shares (2000 - 4,030,880)	\$ 43,614,295	\$ 55,389,567
1,000 Class B Shares	1,000	1,000
	\$ 43,615,295	\$ 55,390,567

All Preferred Shares and Class A Shares outstanding on February 1, 2008 will be redeemed by the Company on that date.

Preferred Shares and Class A Shares may be surrendered at any time for retraction at specified retraction amounts. Holders of Preferred Shares and Class A Shares may concurrently retract one Preferred Share and one Class A Share 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 Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Preferred Shares and Class A Shares tendered for

retraction. The Preferred 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 the payment of dividends and repayment of capital on the dissolution, liquidation or winding up of the Company.

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. Preferred Shares and Class A Shares are entitled to vote on certain shareholder matters.

The Company's Preferred Shares have been classified as liabilities in accordance with the accounting guidelines of The Canadian Institute of Chartered Accountants. Accordingly, net income for the year is stated after Preferred Shares distributions.

A net of 737,465 units (2000 - 578,080 units) were redeemed in the year.

5. Management Fees and Expenses

The Company 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 Company'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% and 1/12 of 0.10%, respectively, of the net asset value plus the Preferred Shares.

6. Income Taxes

The Company is a "mutual fund corporation" as defined in the Income Tax Act (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. The Company is generally subject to a tax of 33¹/₃% under Part IV of the Act on taxable

Notes to the Financial Statements

dividends received in the year. This tax is fully refundable upon payment of sufficient dividends. The Company 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. No tax is payable in respect of this tax for the current year (2000 - Nil).

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

7. Distributions to Preferred Shareholders

Distributions per Preferred Share paid to shareholders during the period were allocated as follows:

	2001	2000	1999
Taxable dividends	\$ 0.3110	\$ 0.3303	\$ 0.2351
Capital gains dividends	0.5488	0.5283	0.5666
	\$ 0.8598	\$ 0.8586	\$ 0.8017

Preferred 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. To the extent that a quarterly dividend is a capital gains dividend funded by net realized capital gains or option premiums, holders of Preferred Shares will receive an additional capital gains dividend of \$0.068 for each \$1.00 of Preferred Share dividend so funded.

8. Commissions

Total commissions paid for the year ended January 31, 2001 were \$214,660 (2000 - \$177,315).

9. Financial Instruments and Risk Management

The value of the Company's assets and liabilities is affected by changes in interest rates and equity markets. The Company manages these risks through the use of various risk limits and trading strategies. The Company's assets and liabilities are included in the statements of financial position at market value.

10. Statement of Portfolio Transactions

The Company will provide, without charge, a Statement of Portfolio Transactions (unaudited) upon written request by any shareholder to the Company at:

121 King Street West, Suite 2600,
Toronto, Ontario M5H 3T9.



Mulvihill Capital Management Inc.

121 King Street West, Suite 2600
Toronto, Ontario M5H 3T9

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