



Hybrid Income Funds



Annual Report 2004

Mulvihill Premium Split Share Fund

MCM Split Share Corporation

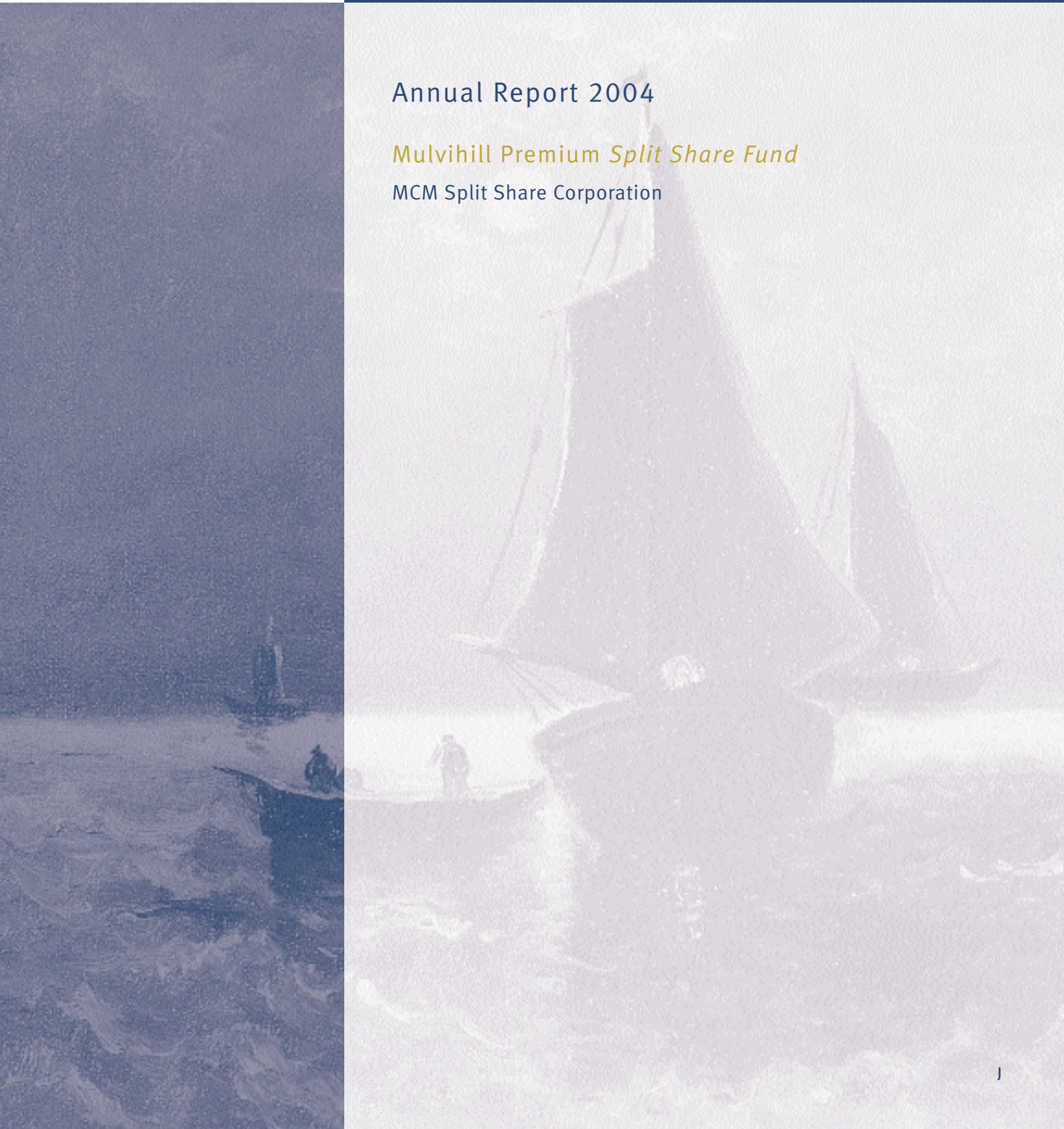




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Message to Shareholders

Equity markets in 2003 made positive returns, strongly outperforming both bonds and cash instruments. The S&P TSX composite index rose 27 percent, with advances in all major industry groups. This reflected the underlying stability of the Canadian economy, which continued to perform well, despite the temporary setbacks of the SARS outbreak, mad cow disease, forest fires in the West and the Ontario power blackout. One other development, however, is having a more lasting effect—the sharp rise in the value of the Canadian dollar. This has hurt the competitiveness of Canadian manufacturers in export markets, and will continue to have a dampening effect on economic growth in 2004.

In the U.S., equity markets rebounded strongly after a sluggish first quarter, buoyed by a surging American economy. The S&P 500 index recorded a 29 percent gain for the year, and the NASDAQ rose by a full 50 percent. The sinking value of the U.S. dollar, however, turned these advances into only 5 percent and 23 percent gains in Canadian currency terms. Low interest rates, tax cuts and depleted inventories have contributed to the resurgence of the American economy, and the weaker dollar is also improving U.S. export prospects for this year. The present federal budget deficit and the chronic and now massive U.S. current account deficit are shifting investor sentiment away from U.S. dollar denominated assets. Commodities priced in depreciating U.S. dollars are thus more affordable, encouraging a rise in global demand.

In both Canada and the U.S., equity investors favoured stocks with depressed prices in sectors poised for renewed growth. This propelled the formerly devastated information technology sector into the forefront of performers, along with the materials and financial sectors. Price volatility was high in the first quarter, but has decreased substantially since then, though it remains sufficient to sustain limited option writing programs.

The outlook at present is for solid economic growth this year, accompanied by low inflation and higher corporate profits. The Canadian economy will benefit from the strong U.S. recovery, though this will be dampened somewhat by the strength of the Canadian dollar. Short-term interest rates are likely to remain low and could even ease from current levels. The U.S. Federal Reserve has probably finished its easing cycle, and will remain on hold for a while, with potential for tightening in the second half of the year.

With valuation levels already quite high, especially in the U.S., equity markets are unlikely to rise as much in 2004 as they did in 2003. Nevertheless, the equity investment environment remains distinctly positive for the year.



John P. Mulvihill
President
Mulvihill Capital Management Inc.

Investment Objectives

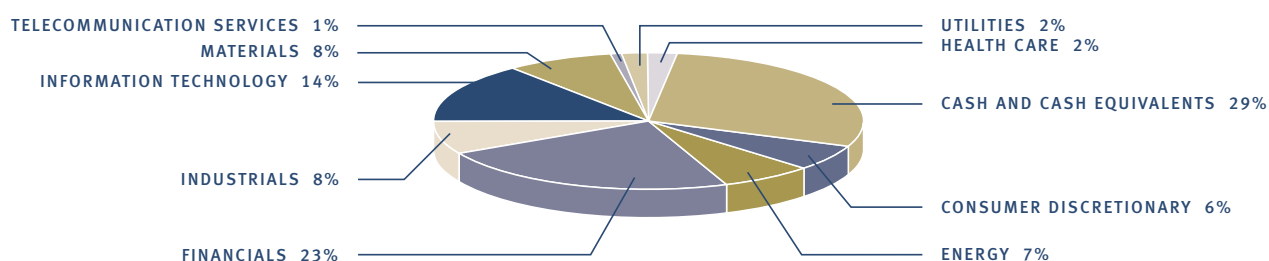
The Fund's investment objectives are (i) to provide Preferred shareholders with quarterly cash dividends to yield 5.50 percent per annum based on the original issue price; (ii) to provide Class A shareholders with all excess realized income of the Fund at each fiscal year end; and (iii) to return, at a minimum, the original issue prices of the shares to shareholders upon windup on February 1, 2008. The Fund has a dividend policy on the Class A shares of \$0.30 per quarter or 8 percent per annum based on the shares' issue price.

Investment Strategy

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. In order to meet its investment objectives, the Fund may, from time to time invest up to 20 percent of the cost amount of its assets in common shares issued by corporations selected from the Standard & Poor's 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.

Asset Mix

January 31, 2004



Distribution History

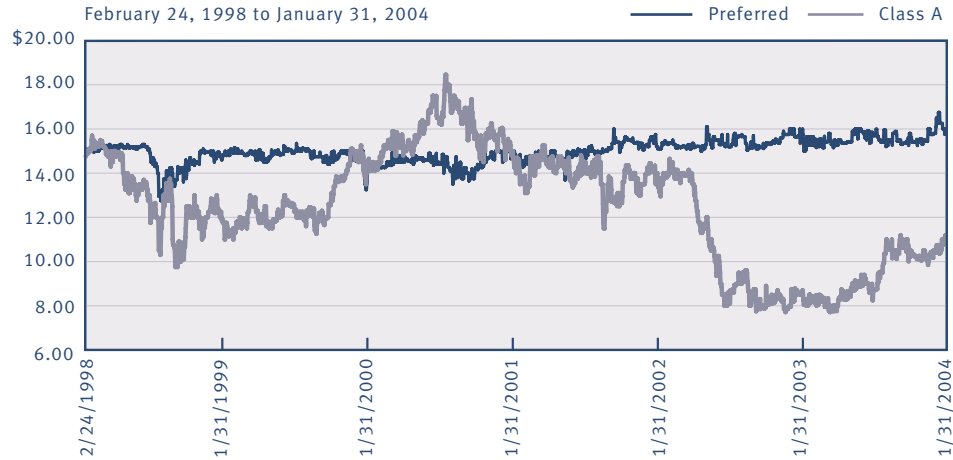
INCEPTION DATE: FEBRUARY 1998	CLASS A REGULAR DISTRIBUTION	SPECIAL DISTRIBUTION	TOTAL CLASS A DISTRIBUTION	REGULAR PREFERRED DISTRIBUTION
Total for 1998 *	\$ 0.8137	\$ 0.0000	\$ 0.8137	\$ 0.586000
Total for 1999	1.2000	0.1000	1.3000	0.860391
Total for 2000	1.2000	1.7500	2.9500	0.858075
Total for 2001	1.2000	0.5000	1.7000	0.862526
Total for 2002	1.2000	0.1000	1.3000	0.862169
January 2003	0.3000	0.0000	0.3000	0.206250
April 2003	0.3000	0.0000	0.3000	0.206250
July 2003	0.3000	0.0000	0.3000	0.206250
October 2003	0.3000	0.0000	0.3000	0.206250
Total for 2003	1.2000	0.0000	1.2000	0.825000
January 2004	0.3000	0.0000	0.3000	0.206250
Total for 2004	0.3000	0.0000	0.3000	0.206250
Total Distributions to Date	\$ 7.1137	\$ 2.4500	\$ 9.5637	\$ 5.060411

* 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 www.mulvihill.com.

Top 10 Holdings

- Alcan Inc.
- Nortel Networks Corporation
- Sun Life Financial Services of Canada Inc.
- Royal Bank of Canada
- Magna International Inc., Class A
- The Toronto-Dominion Bank
- CP Railway Limited
- Microsoft Corporation
- Petro-Canada
- The Bank of Nova Scotia

Trading History



Commentary

As of January 31, 2004, the net assets of the Fund were \$34.4 million, or \$25.47 per unit, up from net assets of \$27.9 million, or \$23.48 per unit, on January 31, 2003. Class A shares, listed on the Toronto Stock Exchange as MUH.A, closed the fiscal year trading at \$11.19, while Preferred shares, listed as MUH.PR.A, closed at \$15.99.

During the year, Class A shareholders received regular distributions totalling \$1.20 per share, while Preferred shareholders received distributions of \$0.825 per share. Based on initial share prices, these distributions represent a yield of 5.5 percent for Preferred shareholders, and 8 percent for Class A shareholders.

Economic stability in both Canada and the United States allowed equity markets to perform strongly throughout most of 2003. The upward trend of market indices was fairly broad in the U.S., moving all sectors into positive territory, with the strongest gains recorded in the information technology and basic materials sectors. Most sectors were also up in Canada, but the major gains were confined to information technology stocks. The Fund has maintained overweight positions in the strongest sectors in order to take advantage of rising trends. Approximately 14 percent of the portfolio is in information technology stocks, with about 8 percent in basic materials.

Market volatility decreased steadily after peaking in March, touching lows towards year-end not seen since 1996. Under these conditions, the Fund has reduced its option-writing activity, and increased its unwritten invested position to maximize growth potential. The composition of the Fund’s portfolio is presently made up of about 25 percent U.S. equities and 75 percent Canadian equities. This mix favours the stronger Canadian dollar, which has tended to erode gains on U.S. equities when converted into Canadian currency.

Financial statements and a summary of the Fund’s investments are included in this annual report. We would like to take this opportunity to thank each of the Fund’s shareholders for their continuing support.

Management's Responsibility for Financial Reporting

This report has been prepared in accordance with the Accounting Standards Board guidelines.

The accompanying financial statements of MCM Split Share Corporation (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 financial statements. The financial statements have been audited by Deloitte & Touche LLP on behalf of the shareholders.

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 20, 2004



David N. Middleton
Director
Mulvihill Fund Services Inc.

To the Shareholders of Mulvihill Premium Split Share Fund

We have audited the accompanying statement of investments of MCM Split Share Corporation (operating as Mulvihill Premium Split Share Fund) (the "Fund") as at January 31, 2004, the statements of financial position as at January 31, 2004 and 2003, the statements of operations and deficit, of changes in net assets and of changes in investments and options for the years then ended, and the statements of financial highlights for each of the years or periods (since inception) in the five-year period ended January 31, 2004. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

The signature of Deloitte & Touche LLP is written in a cursive, handwritten style in black ink.

Chartered Accountants
Toronto, Ontario
February 20, 2004

Statements of Financial Position

January 31, 2004 and 2003

	2004	2003
ASSETS		
Investments at market value (average cost - \$53,732,815; 2003 - \$46,752,229)	\$ 58,889,434	\$ 45,806,304
Short-term investments (average cost - \$24,658,697; 2003 - \$29,580,790)	24,702,207	29,584,324
Cash	51,640	122,459
Interest, dividends and other receivables	270,700	304,937
Due from brokers	-	2,533,940
TOTAL ASSETS	\$ 83,913,981	\$ 78,351,964
LIABILITIES		
Accrued liabilities	\$ 110,071	\$ 110,876
Due to broker	-	913,620
Redemptions payable	-	66,913
Redeemable preferred shares (Note 4)	49,358,475	49,358,475
	49,468,546	50,449,884
EQUITY		
Class A and Class B shares (Note 4)	43,591,134	43,591,134
Deficit	(9,145,699)	(15,689,054)
	34,445,435	27,902,080
TOTAL LIABILITIES AND EQUITY	\$ 83,913,981	\$ 78,351,964
Number of units outstanding (Note 4)	3,290,565	3,290,565
Net Asset Value per Unit		
Class A share	\$ 10.4679	\$ 8.4791
Preferred share	15.0000	15.0000
	\$ 25.4679	\$ 23.4791

On Behalf of the Board of Directors,


John P. Mulvihill, Director


Robert W. Korthals, Director

Statements of Operations and Deficit

Years ended January 31, 2004 and 2003

	2004	2003
REVENUE		
Interest, net of foreign exchange	\$ 566,213	\$ 572,118
Dividends	973,891	1,681,234
Withholding taxes	(31,601)	(9,858)
	1,508,503	2,243,494
Net realized gains (losses) on sale of investments and options	6,504,579	(14,543,353)
Net realized losses on short-term investments	(9,090)	-
	6,495,489	(14,543,353)
TOTAL REVENUE	8,003,992	(12,299,859)
EXPENSES (Note 5)		
Management fees	1,009,043	1,035,286
Administrative and other expenses	164,392	159,871
GST and capital taxes	80,930	169,657
TOTAL EXPENSES	1,254,365	1,364,814
Net Realized Income (Loss) before Distributions and Income Taxes	6,749,627	(13,664,673)
Income tax recovery	314,497	-
Net Realized Income (Loss) before Distributions	7,064,124	(13,664,673)
Preferred share distributions (Note 7)	(2,714,716)	(2,809,817)
Net Realized Income (Loss)	4,349,408	(16,474,490)
Change in unrealized appreciation (depreciation) of investments, options and foreign currency during the year	6,142,625	6,885,873
NET INCOME (LOSS) FOR THE YEAR	\$ 10,492,033	\$ (9,588,617)
DEFICIT		
Balance, beginning of year	\$ (15,689,054)	\$ (2,148,339)
Net income (loss) for the year	10,492,033	(9,588,617)
Distributions on Class A shares	(3,948,678)	(3,952,098)
BALANCE, END OF YEAR	\$ (9,145,699)	\$ (15,689,054)

Statements of Changes in Net Assets

Years ended January 31, 2004 and 2003

	2004	2003
NET ASSETS, BEGINNING OF YEAR	\$ 27,902,080	\$ 41,466,956
Net Realized Income (Loss) before Distributions	7,064,124	(13,664,673)
Share Capital Transactions		
Class A shares redeemed, net	-	(24,161)
Distributions		
Preferred shares (Note 7)	(2,714,716)	(2,809,817)
Class A shares	(3,948,678)	(3,952,098)
	(6,663,394)	(6,761,915)
Change in Unrealized Appreciation (Depreciation) of Investments, Options and Foreign Currency during the Year	6,142,625	6,885,873
Changes in Net Assets during the Year	6,543,355	(13,564,876)
NET ASSETS, END OF YEAR	\$ 34,445,435	\$ 27,902,080

Statements of Changes in Investments and Options

Years ended January 31, 2004 and 2003

	2004	2003
INVESTMENTS AT MARKET VALUE, BEGINNING OF YEAR	\$ 45,806,304	\$ 62,951,061
Unrealized depreciation (appreciation) of investments and options, beginning of year	945,925	7,806,958
Investments at Cost, Beginning of Year	46,752,229	70,758,019
Cost of Investments Purchased during the Year	98,555,894	80,336,673
Cost of Investments Sold during the Year		
Proceeds from sales	98,079,887	89,799,110
Net realized gains (losses) on sales	6,504,579	(14,543,353)
	91,575,308	104,342,463
Investments at Cost, End of Year	53,732,815	46,752,229
Unrealized appreciation (depreciation) of investments and options, end of year	5,156,619	(945,925)
INVESTMENTS AT MARKET VALUE, END OF YEAR	\$ 58,889,434	\$ 45,806,304

Statement of Investments

January 31, 2004

	% of Portfolio	Par Value/ Number of Shares	Average Cost	Market Value
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada - May 6, 2004	3.3 %	830,000	\$ 824,896	\$ 824,896
Discount Commercial Paper				
Province of British Columbia, USD - March 17, 2004		240,000	318,911	318,911
Canadian Wheat Board, USD - February 23, 2004		300,000	394,687	398,132
Province of Ontario, USD - April 7, 2004		595,000	768,475	789,929
Province of Ontario, USD - April 15, 2004		1,200,000	1,564,477	1,593,039
Total Discount Commercial Paper	12.5 %		3,046,550	3,100,011
Canadian Bonds				
Canada Mortgage & Housing Corp. - December 1, 2004	83.4 %	20,200,000	20,787,251	20,777,300
	99.2 %		24,658,697	24,702,207
Accrued interest	0.8 %			195,855
TOTAL SHORT-TERM INVESTMENTS	100.0 %		\$ 24,658,697	\$ 24,898,062

INVESTMENTS

Canadian Common Shares

Consumer Discretionary

Magna International Inc., Class A		23,000	\$ 2,368,294	\$ 2,476,180
The Thomson Corporation		20,000	914,716	879,000
Total Consumer Discretionary	5.8 %		3,283,010	3,355,180

Energy

EnCana Corporation		30,000	1,603,257	1,547,400
Imperial Oil Ltd.		20,000	1,250,442	1,164,000
Petro-Canada		40,000	2,641,940	2,312,800
Suncor Energy Inc.		22,500	562,764	751,500
Total Energy	9.8 %		6,058,403	5,775,700

Financials

Bank of Montreal		30,000	1,521,755	1,733,700
Canadian Imperial Bank of Commerce		30,000	1,908,488	1,999,800
Manulife Financial Corporation		10,000	394,498	468,100
National Bank of Canada		36,100	1,391,049	1,582,985
Royal Bank of Canada		40,000	2,391,791	2,527,600
Sun Life Financial Services of Canada Inc.		75,000	2,159,280	2,658,000
The Bank of Nova Scotia		34,000	2,203,313	2,295,000
The Toronto-Dominion Bank		56,000	1,992,398	2,429,280
Total Financials	26.7 %		13,962,572	15,694,465

Industrials

Bombardier Inc., Class B		325,000	1,746,365	1,946,750
CP Railway Limited		70,000	2,348,329	2,403,100
CP Ships Limited		40,000	1,069,884	964,400
Total Industrials	9.0 %		5,164,578	5,314,250

Statement of Investments

January 31, 2004

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS (continued)				
Canadian Common Shares (continued)				
Information Technology				
ATI Technologies Inc.		90,000	1,812,455	1,936,800
Celestica Inc.		35,000	833,000	796,250
Nortel Networks Corporation		300,000	1,286,452	3,114,000
Total Information Technology	9.9 %		3,931,907	5,847,050
Materials				
Alcan Inc.		65,000	3,250,872	3,677,700
Barrick Gold Corp.		30,000	774,000	787,200
Inco Ltd.		29,900	1,119,761	1,477,658
Total Materials	10.1 %		5,144,633	5,942,558
Telecommunication Services				
BCE Inc.	1.5 %	30,000	866,013	886,500
Utilities				
TransCanada Corp.	2.5 %	55,000	1,522,400	1,487,750
Total Canadian Common Shares	75.3 %		\$ 39,933,516	\$ 44,303,453
United States Common Shares				
Consumer Discretionary				
Wal-Mart Stores, Inc.	2.4%	20,000	\$ 1,555,621	\$ 1,432,848
Financials				
Citigroup Inc.		25,000	1,445,496	1,645,713
Merrill Lynch & Co.		25,000	1,915,452	1,955,365
Total Financials	6.1%		3,360,948	3,601,078
Health Care				
Pfizer Inc.	2.8%	34,000	1,592,094	1,656,915
Industrials				
Tyco International Ltd.	1.8%	30,000	877,940	1,067,651
Information Technology				
IBM Corporation		15,000	1,870,216	1,980,243
Intel Corporation		46,000	1,199,554	1,872,680
Microsoft Corporation		63,000	2,612,016	2,317,501
Total Information Technology	10.5%		5,681,786	6,170,424
Materials				
The Dow Chemical Company	1.9 %	20,000	1,014,229	1,116,211
Total United States Common Shares	25.5 %		\$ 14,082,618	\$ 15,045,127

Statement of Investments

January 31, 2004

	% of Portfolio	Number of Shares	Average Cost	Market Value
INVESTMENTS (continued)				
Forward Exchange Contracts				
Sold USD \$2,509,000, Bought CAD \$3,304,490 @ 0.75927 - February 11, 2004				\$ (34,966)
Sold USD \$625,000, Bought CAD \$815,448 @ 0.76645 - February 25, 2004				(16,887)
Sold USD \$1,101,000, Bought CAD \$1,409,767 @ 0.78098 - March 24, 2004				(58,076)
Sold USD \$692,000, Bought CAD \$882,890 @ 0.78379 - April 7, 2004				(40,146)
Sold USD \$638,000, Bought CAD \$836,151 @ 0.76302 - April 22, 2004				(15,310)
Total Forward Exchange Contracts	(0.3)%			\$ (165,385)
	% of Portfolio	Number of Contracts	Proceeds	Market Value
OPTIONS				
Written Cash Covered Put Options (100 shares per contract)				
BCE Inc. - February 2004 @ \$29		300	\$ (9,750)	\$ (764)
Canadian Imperial Bank of Commerce - February 2004 @ \$66		200	(9,000)	(6,338)
Imperial Oil Ltd. - February 2004 @ \$61		200	(12,200)	(69,044)
Rogers Communications Inc., Class B - February 2004 @ \$25		400	(19,200)	(27,314)
The Thomson Corporation - February 2004 @ \$45		200	(12,000)	(29,063)
Total Written Cash Covered Put Options	(0.2)%		(62,150)	(132,523)
Written Covered Call Options (100 shares per contract)				
Alcan Inc. - February 2004 @ \$59		260	(40,690)	(11,025)
Barrick Gold Corp. - February 2004 @ \$30		225	(18,000)	-
BCE Inc. - February 2004 @ \$29		300	(7,200)	(11,461)
Canadian Imperial Bank of Commerce - February 2004 @ \$68		100	(8,500)	(2,005)
EnCana Corporation - February 2004 @ \$54		200	(22,600)	(327)
Imperial Oil Ltd. - February 2004 @ \$63		200	(19,000)	(1,793)
Petro-Canada - February 2004 @ \$67		300	(35,250)	(1,135)
Pfizer Inc. - February 2004 @ \$36		170	(7,529)	(21,305)
Pfizer Inc. - February 2004 @ \$37		85	(3,875)	(4,590)
Sun Life Financial Services of Canada Inc. - February 2004 @ \$33		375	(12,000)	(80,821)
The Bank of Nova Scotia - February 2004 @ \$69		170	(6,120)	(1,948)
The Dow Chemical Company - February 2004 @ \$42		150	(13,705)	(18,006)
The Thomson Corporation - February 2004 @ \$47		200	(10,200)	(644)
TransCanada Corp. - February 2004 @ \$28		550	(16,500)	(6,178)
Total Written Covered Call Options	(0.3)%		(221,169)	(161,238)
TOTAL OPTIONS	(0.5)%		\$ (283,319)	\$ (293,761)
TOTAL INVESTMENTS	100.0 %		\$ 53,732,815	\$ 58,889,434

Statements of Financial Highlights

Years ended January 31

	2004	2003	2002	2001	2000
DATA PER CLASS A SHARE					
Net Asset Value, as at February 1	\$ 8.48	\$ 12.59	\$ 14.57	\$ 14.61	\$ 12.77
INCOME (LOSS) FROM INVESTMENT OPERATIONS					
Net investment income	0.08	0.25	0.44	0.45	0.36
Net gain (loss) on investments and options	3.11	(3.16)	(0.92)	2.26	3.28
Total from Investment Operations	3.19	(2.91)	(0.48)	2.71	3.64
DISTRIBUTIONS TO SHAREHOLDERS					
From net investment income	-	(0.30)	-	-	-
From net realized gains on sale of investments and options	-	(0.90)	(1.50)	(2.75)	(1.80)
From taxable income	(1.20)	-	-	-	-
Total distributions	(1.20)	(1.20)	(1.50)	(2.75)	(1.80)
Net Asset Value, as at January 31	\$ 10.47	\$ 8.48	\$ 12.59	\$ 14.57	\$ 14.61
RATIOS/SUPPLEMENTAL DATA					
Total net assets, end of year (\$millions)	\$ 34.45	\$ 27.90	\$ 41.47	\$ 47.98	\$ 58.91
Average net assets (\$millions)	\$ 31.09	\$ 35.40	\$ 44.63	\$ 57.81	\$ 62.00
Management expense ratio	1.56 %	1.65 %	1.69 %	1.54 %	1.43 %
Portfolio turnover rate	158.3 %	97.0 %	42.8 %	53.7 %	79.3 %
Annual rate of return	37.6 %	(23.1)%	(3.3)%	18.6 %	28.5 %

1. Corporate Information

MCM Split Share Corporation (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, 2008 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.

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. The Fund may invest up to 20 percent 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 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).

2. Summary of Significant Accounting Policies

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

Valuation of investments

Investments and short-term bonds are recorded in the financial statements at their market value at the end of the period, determined as follows:

Securities are valued at market value, which is determined by the closing sale price on the recognized stock exchange on which the securities are listed or principally traded. If no sale has taken place on that day, valuation will be at the average of the bid and the asked price.

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

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

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, were to be closed out.

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, options and foreign currency are determined on an average cost basis. Realized gains and losses relat-

ing 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 sale of investments and options.

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, options and foreign currency. 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.

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. Purchases and sales of investments, and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions.

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 consists of interest and dividend revenue less expenses, net of withholding taxes and foreign exchange gains (losses), including Preferred share distributions, and is calculated based on the weighted average number of Class A shares outstanding during the year.
- (b) Net gain (loss) on investments and options 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 GST and capital taxes but excluding income taxes charged to the Fund to average net assets, including redeemable Preferred shares.
- (e) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, divided by the average value of portfolio securities, excluding short-term investments 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 current year distributions. Returns are not reported in the year that the Fund was established.

4. Share Capital

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

All Preferred shares and Class A shares outstanding on February 1, 2008 will be redeemed by the Fund on that date, unless otherwise determined by a majority vote of each class of shareholders.

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 (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 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 Fund.

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

No units (2003 – 2,850 units) were redeemed during the year.

Issued and Outstanding	2004		2003	
3,290,565 Preferred shares (2003 – 3,290,565)	\$	49,358,475	\$	49,358,475
3,290,565 Class A shares (2003 – 3,290,565)	\$	43,590,134	\$	43,590,134
1,000 Class B shares (2002 – 1,000))		1,000		1,000
	\$	43,591,134	\$	43,591,134

5. Management Fees and Expenses

The Fund is responsible for all ongoing trustee, manager, legal, accounting and audit fees as well as all other expenses incurred by the trustee and 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, including the redeemable Preferred shares.

6. 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. The premiums retained by the Fund are subject to a refundable tax at 36.58 percent.

No amount is payable on account of income taxes in 2004 or 2003.

Accumulated non-capital losses of approximately \$0.8 million (2003 - \$0.9 million) and capital losses of approximately \$9.5 million (2003 - \$13.9 million) are available for utilization against net investment income and realized gains on sale of investments, respectively, in future years. The non-capital losses expire in 2010 and the capital losses can be carried forward indefinitely.

7. Distributions – Preferred Shares

Distributions per Preferred share paid during the period were allocated as follows:

	2004	2003	2002	2001	2000
Taxable dividends	\$ 0.8250	\$ 0.4109	\$ 0.2808	\$ 0.3110	\$ 0.3303
Capital gains dividends	–	0.4423	0.5812	0.5488	0.5283
	\$ 0.8250	\$ 0.8532	\$ 0.8620	\$ 0.8598	\$ 0.8586

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, 2004 in connection with portfolio transactions were \$312,196 (2003 - \$200,572).

9. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

10. Financial Instruments and Risk Management

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

Risks of these contracts arise from the potential inability of the counterparties to meet the terms of their contracts and from future movement in currency, stock values and interest rates. The maximum credit risk exposure is the aggregate of all contracts with a positive value as

disclosed on the statement of investments. The Fund manages these risks through the use of various risk limits and trading strategies.

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

11. Statement of Portfolio Transactions

The Fund will provide, without charge, a Statement of Portfolio Transactions (unaudited) upon written request by any shareholder to the Fund at 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

The Board of Directors (the "Board") bear responsibility for the stewardship of MCM Split Share Corporation (operating as Mulvihill Premium Split Share Fund) (the "Fund"). Stewardship includes responsibility for the adoption of a strategic planning process, the identification of the principal risks of the Fund and ensuring the implementation of appropriate systems to manage these risks, succession planning, communications policy, and the integrity of the Fund's internal control and management information systems.

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 established, and hereby contin-

ues the existence of, a committee of the Board known as the 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, oversight of management's reporting on internal control and oversight of the Fund's compliance with tax and securities laws and regulations. The Audit Committee has direct communication channels with the external auditors 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.

Mulvihill Capital Management Inc.

Mulvihill Capital Management is a leading independent investment manager responsible for managing more than \$3.3 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
MULVIHILL PLATINUM			
Mulvihill Pro-AMS U.S. Fund	PAM.UN	\$ 20.81	\$ 18.79
Mulvihill Pro-AMS RSP Fund	PR.UN	\$ 19.78	\$ 18.15
Mulvihill Pro-AMS 100 Plus (Cdn \$) Fund	PRC.UN	\$ 20.70	\$ 17.45
Mulvihill Pro-AMS 100 Plus (U.S. \$) Fund	PRU.U	\$ 19.90 USD	\$ 15.40 USD
Mulvihill Pro-AMS RSP Split Share Fund	SPL.A/SPL.B	\$ 9.50/\$ 17.24	\$ 7.78/\$ 14.30
MULVIHILL PREMIUM			
Mulvihill Premium Canadian Fund	FPI.UN	\$ 20.55	\$ 17.70
Mulvihill Premium U.S. Fund	FPU.UN	\$ 14.25	\$ 12.36
Mulvihill Premium Oil & Gas Fund	FPG.UN	\$ 9.50	\$ 8.13
Mulvihill Premium 60 Plus Fund	SIX.UN	\$ 20.60	\$ 17.91
Mulvihill Premium Global Plus Fund	GIP.UN	\$ 13.89	\$ 11.82
Mulvihill Premium Canadian Bank Fund	PIC.A/PIC.PR.A	\$ 12.65/\$ 17.00	\$ 9.22/\$ 15.00
Mulvihill Premium Split Share Fund	MUH.A/MUH.PR.A	\$ 11.19/\$ 16.00	\$ 7.71/\$ 15.00
Mulvihill Premium Global Telecom Fund	GT.A/GT.PR.A	\$ 2.35/\$ 11.66	\$ 1.00/\$ 9.60
MULVIHILL SUMMIT			
Mulvihill Summit Digital World Fund	DWT.UN	\$ 4.00	\$ 3.25

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

Board of Directors

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

David N. Middleton
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

Information

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BCE 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:

Royal Trust
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 Pro-AMS U.S. Fund
Mulvihill Pro-AMS RSP 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 Premium Canadian Fund
Mulvihill Premium U.S. Fund
Mulvihill Premium Oil & Gas Fund
Mulvihill Premium 60 Plus Fund
Mulvihill Premium Global Plus Fund
Mulvihill Premium Canadian Bank Fund
Mulvihill Premium Split Share Fund
Mulvihill Premium Global Telecom Fund

Mulvihill Summit

Mulvihill Summit Digital World Fund

Mutual Funds Managed by Mulvihill Capital Management

Mulvihill Canadian Money Market Fund
Mulvihill Canadian Equity Fund
Mulvihill Canadian Bond Fund
Mulvihill Global Equity Fund
Mulvihill U.S. Equity Fund
Premium Global Income Fund
Premium Canadian Income Fund

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Mulvihill Structured Products

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