

MAY 31 **CANADIAN LIFE COMPANIES SPLIT CORP.**
2009 **SEMI-ANNUAL REPORT**
(UNAUDITED)



This report may contain forward-looking statements about the Company. 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 Company 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 Company 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 Company. 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 Company currently anticipates that subsequent events and developments may cause the Company’s views to change, the Company does not undertake to update any forward-looking statements.

CANADIAN LIFE COMPANIES SPLIT CORP.
SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

MAY 31, 2009

This is the semi-annual Management Report of Fund Performance (MRFP) for the period ended May 31, 2009. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The semi-annual financial statements and accompanying notes are attached to this report.

Investors may also obtain a copy of the Company's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at www.lifesplit.com or by writing to the Company at Investor Relations, Royal Trust Tower, 77 King Street West, P.O. Box 341, Toronto, Ontario, M5K 1K7.

These reports are available to view and download at www.lifesplit.com or www.sedar.com.

INVESTMENT OBJECTIVES AND STRATEGIES

Canadian Life Companies Split Corp. invests primarily in a portfolio of commons shares, which will include each of the Canadian life insurance companies listed below:

Great West Lifeco Inc.	Manulife Financial Corporation
Industrial-Alliance Insurance & Financial Services	Sun Life Financial Inc.

The Company may also invest up to 20% of the Net Asset Value in equity securities of foreign life insurance companies or other Canadian or foreign financial services corporations other than the four Canadian life insurance companies listed above. In order to supplement the dividends received on the Portfolio and to reduce risk, the Company will from time to time write covered call options in respect of some or all of the common shares in the portfolio.

The Company offers two types of shares:

Preferred Shares

The investment objectives with respect to the Preferred Shares are as follows:

1. To provide holders with fixed cumulative preferential monthly cash dividends in the amount of \$0.04375 per Preferred Share to yield 5.25% per annum on the original issue price; and
2. On or about December 1, 2012 (the termination date) to pay holders the original issue price (\$10) of the Preferred shares.

Class A Shares

The investment objectives with respect to the Class A shares are as follows:

1. To provide holders with regular monthly cash dividends initially targeted to be \$0.10 per Capital Share to yield 8% per annum on the original issue price; and
2. On or about December 1, 2012 (the termination date), to pay holders at least the original issue price of those shares (\$15).

RISK

The risks of investing in the Company remain as discussed in the Annual Information form dated February 22, 2009. In addition, Note 3 of the semi-annual financial statements (“Management of Risk”) contains disclosure on specific types of risks related to the financial investments held by the Company.

The overall risk environment for all financial assets continues to remain at above average levels as further explained in the Results of the Operation section below. This environment has created a much higher degree of uncertainty as to the outlook for the market prices of the companies held in the portfolio.

RESULTS OF OPERATIONS

The six month period ending May 31, 2009 was one of the most tumultuous periods in financial market history.

Global financial and economic conditions worsened in the first quarter of 2009 as business, investor and consumer confidence hit record lows and governments were required to take extraordinary and unprecedented actions to stabilize the financial system and stimulate economic activity.

On the monetary side, the U.S. Federal Reserve decreased rates to near zero levels and central banks around the world followed in a synchronized easing of interest rates. The Bank of Canada also took its benchmark rate down to 0.25% and indicated that it would likely stay that low well into 2010. The Federal Reserve also engaged in a massive program of quantitative monetary easing in an attempt to drive down mid to longer term interest rates to help boost private lending, mortgage financing and small businesses activity.

Governments around the world led by the U.S. engaged in various programs designed to strengthen financial institutions including direct capital injections, backstopping and guaranteeing loans, purchasing toxic assets and taking direct equity stakes in many large financial institutions including Citigroup and Bank of America. In contrast, Canadian Banks were able to improve their capital position without government support evidencing the relative strength of Canadian financial institutions which is mainly attributable to their stronger capital bases and a better and more conservatively regulated financial sector.

In early March, pessimism about the global financial crisis and the global recession appeared to reach extreme levels and broad based stock markets declined to index levels not seen since the 1990s. In early March, most broad based general market indices had declined anywhere from 30 to 45% from their most recent highs. However, the markets after reaching these new depths began to recover as government sponsored initiatives to stabilize the banking system began to take traction and market participants appeared to conclude that the more extreme potential negative economic outcomes would not come to fruition. From these March lows, markets across the world staged an impressive recovery with some broad based market indices rebounding up to 40% from their March lows. By the end of the Company’s reporting period of May 31, the markets had improved significantly as investors became more focused on fundamentals of companies rather than the overall state of the financial system. Critical to this marked change in approach was the confidence inspired by the significant re-capitalization efforts of the major U.S. banks and the view that the financial system was going to improve.

Although, an improved level of stability had entered the financial system and equity markets by the end of the Company’s reporting period of May 31, North American economic conditions continue to remain challenging as unemployment rates continue to increase, housing markets remain under pressure and corporate earnings, consumer spending and business spending remain at very low levels.

Against this backdrop, the market prices of the Canadian life insurance companies in the portfolio mirrored this activity reaching lows in early March but recovering significantly by the end of May. The net asset value as at May 31 ended \$0.69 higher to \$15.35 per unit over the six month period.

As a result of the net asset value remaining below \$15 for most of the period, no distribution were made to Class A shareholders. However, subsequent to the end of the period, Class A distributions had resumed as the net asset value per unit had increased beyond the \$15 threshold.

Canadian Life insurance companies have been adversely impacted by the overall decline in equity securities held in their underlying portfolios. These losses have offset their profits from their mainline underwriting activities and acted as a significant drag on profitability. In particular, Manulife was hit hard as certain of its product lines that were dependent on the performance of the equities markets experienced severe stress during the market downturn. This required Manulife to raise billions of dollars in new capital which was dilutive to its share price.

The dividend yield on the portfolio at May 31, 2009 remains at one of the highest historic levels relative to yields of long term Canadian bonds. This dividend yield continues to be supplemented by a limited covered call writing program which provides further income to the portfolio.

The Company also has utilized its mandated ability (per the prospectus) to invest up to 20% of the net assets in other financial services companies in order to provide additional diversification together with dividend, covered call writing and capital appreciation opportunities.

DISTRIBUTIONS

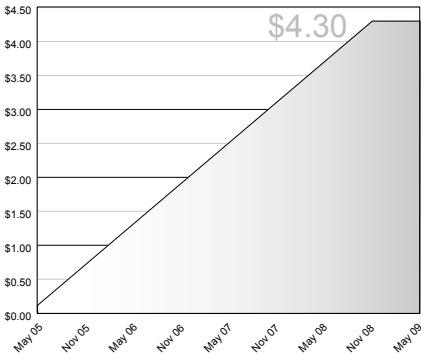
Class A Shares – Distributions

Class A shareholders are entitled to receive regular monthly cash dividends initially targeted to be \$0.10 per Class A Share to yield 8.0% per annum on the original issue price. Due to the decline in the net asset value to below \$15 per unit, no monthly distributions were made during the period.

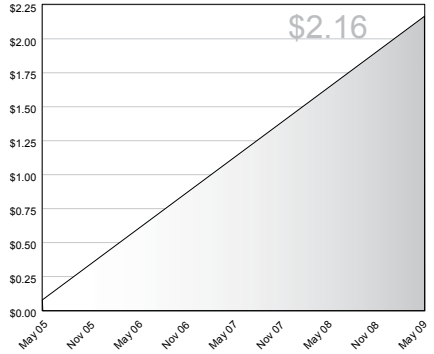
Preferred Shares – Distributions

Preferred Shareholders are entitled to fixed, cumulative preferential monthly cash dividends in the amount of \$0.04375 per Preferred Share to yield 5.25% per annum on the original issue price. The distributions paid during the period were paid at the fixed monthly rate for a total of \$0.2625 per share.

Cumulative Distributions since inception



Cumulative Distributions since inception



RECENT DEVELOPMENTS

Amendment to section 3862-Financial Instrument Disclosure

In March 2009, the International Accounting Standards Board issued amendments to IFRS 7, Financial Instruments: Disclosures (“IFRS”) intended to improve disclosures about fair value and liquidity risk. The Canadian accounting Standards Board announced in its March 25-26 Decision Summary that it will adopt the amendments into Canadian generally accepted accounting principles (“GAAP”) section 3862, Financial Instruments-Disclosures (“Section 3862”). The amendments apply to fiscal years ending after September 30, 2009 and will be implemented in the Company’s November 30, 2009 annual financial statements. These changes affect disclosure only and will not have any impact on the Company’s net asset value.

RELATED PARTY TRANSACTIONS

The Investment Manager and Manager earn fees from the Company as described below in the Management Fees section.

MANAGEMENT FEES

The Investment Manager is entitled to a base management fee payable monthly in arrears at an annual rate equal to 0.65% of the Company’s Net Asset Value calculated as at the last Valuation Date in each month

The Manager is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.2% of the Company’s Net Asset Value calculated as at the last Valuation Date in each month.

Total management fees of \$474,664 paid for the period ended May 31, 2009 include the base management fee and the administration fee. The base management fee was used by the Investment Manager to pay costs associated with the managing of the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required by the Company, which includes all operational, financial accounting, shareholder reporting and regulatory reporting requirements.

SUMMARY OF INVESTMENT PORTFOLIO

All holdings as at May 31, 2009

Name	Weighting (%)
Manulife Financial Corporation	25.1
Great-West Lifeco Inc.	22.0
Sun Life Financial Inc.	20.8
Industrial Alliance Insurance	11.8
Canadian Imperial Bank of Commerce	3.6
Royal Bank of Canada	3.0
Aflac Corp.	2.6
MetLife Inc.	2.3
Bank of Montreal	1.6
Toronto-Dominion Bank	0.8
Bank of Nova Scotia	0.4
Prudential Financial Inc.	0.3
Total long positions as a percentage of net assets	94.3
Other net assets	5.7

The summary of investment portfolio may change due to ongoing portfolio transactions of the Company. Updates are available quarterly.

FINANCIAL HIGHLIGHTS

The following tables show selected financial information about the Company and are intended to help you understand the Company's financial performance. This information is derived from the Company's semi-annual financial statements and previous annual audited financial statements. For May 31, 2009 and November 30, 2008, the Net Assets included in the Net Assets per unit table is from the Company's financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental data Table is for Transactional pricing purposes and calculated using closing prices (see Note 2 in the financial statements).

The Company's Net Asset Value (NAV) per unit

	May 31, 2009	Periods ended November 30			
		2008	2007	2006 ⁽²⁾	2005 ⁽²⁾
Net asset value per unit, beginning of period ⁽¹⁾	16.04	27.38	26.59	25.28 ⁽³⁾	23.71 ⁽³⁾
Increase (decrease) from operations					
Total revenue	0.39	0.67	0.63	0.58	0.4
Total expenses	(0.07)	(0.30)	(0.36)	(0.34)	(0.41)
Realized gains for the period	(0.75)	0.34	1.59	0.68	0.21
Unrealized gains for the period	(0.00)	(10.28)	0.67	2.08	2.41
Total increase from operations ⁽⁴⁾	<u>(0.43)</u>	<u>(9.57)</u>	<u>2.53</u>	<u>3.00</u>	<u>2.61</u>
Distributions ⁽⁵⁾					
Taxable Dividends	(0.26)	(1.36)	(0.60)	(0.98)	(0.77)
Capital Gains	-	(0.37)	(1.12)	(0.75)	(0.26)
Total annual distributions	<u>(0.26)</u>	<u>(1.73)</u>	<u>(1.72)</u>	<u>(1.73)</u>	<u>(1.03)</u>
Net asset value per unit at end of period	15.35	16.04	27.38	26.59	25.28
Net asset value per Preferred share	10.00	10.00	10.00	10.00	10.00
Net asset value per Class A share	<u>5.35</u>	<u>6.04</u>	<u>17.38</u>	<u>16.59</u>	<u>15.28</u>
Net asset value per unit at end of period	15.35	16.04	27.38	26.59	25.28

- (1) Net asset value per unit is the difference between the aggregate value of the assets of the Company and the aggregate value of the liabilities excluding the Preferred shares of the Company on that date divided by the number of units then outstanding
- (2) Results from the period April 18, 2005 (inception date) to November 30, 2005
- (3) Initial net asset value per unit is after deducting all agents' fees and filing costs in connection with the initial public offering
- (4) Total increase from operations is before the payment of Preferred and Class A share distributions and is calculated based on the weighted average number of units outstanding during the period
- (5) Distributions to Preferred shares and Class A shares are based on the number of Preferred shares and Class A shares outstanding on the record date for each distribution and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors.

RATIOS AND SUPPLEMENTAL DATA

	May 31, 2009	Periods ended November 30			
		2008	2007	2006	2005 ⁽¹⁾
Net assets (millions)	\$139.1	\$150.6	\$261.2	\$257.1	\$209.9
Number of units outstanding ⁽²⁾	9,060,529	9,060,929	9,532,029	9,670,078	8,302,078
Base management expense ratio ⁽³⁾	1.01%	1.31%	1.33%	1.34%	1.33%
Management expense ratio including one time initial offering expenses ⁽⁴⁾	1.01%	1.31%	1.33%	2.13%	6.60%
Management expense ratio with performance fee and one time initial offering expenses ⁽⁵⁾	1.01%	1.31%	1.33%	2.13%	7.45%
Portfolio turnover rate ⁽⁶⁾	4.2%	0.8%	30.70%	21.8%	18.1%
Trading expense ratio ⁽⁷⁾	0.03%	0.03%	0.06%	0.04%	0.11%
Closing market price (TSX):					
Preferred shares	\$9.20	\$7.55	\$10.32	\$10.96	\$11.30
Closing market price (TSX):					
Class A shares	\$4.70	\$4.80	\$14.96	\$15.45	\$15.65

(1) Results for the period April 18, 2005 (inception) to November 30, 2005.

(2) This information is provided as at May 31 or November 30, as applicable.

(3) A separate base management expense ratio has been presented to reflect the normal operating expenses of the Company excluding the one time initial offering expenses and performance fees. Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of average net assets during the period.

(4) Performance fees occur in periods in which the total return per unit exceeds a pre established threshold.

(5) Share issue expenses, representing all Agents' fees and other offering expenses are one time initial expenses connected with the launch of the Company or any subsequent secondary offering.

(6) The Company's portfolio turnover rate indicates how actively the Company's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds. The higher the Company's portfolio turnover rate in a year, the greater the trading costs payable by the Company in the year and the greater chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Company

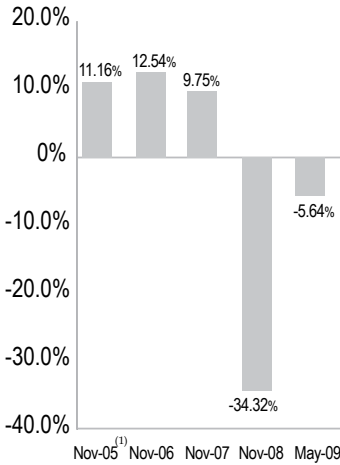
(7) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net assets during the period.

PAST PERFORMANCE

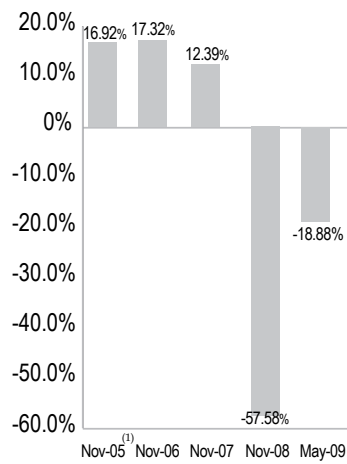
The past performance of 1) the net asset value per unit (1 Preferred share and 1 Class A share); 2) the Preferred share on net asset value basis; and 3) the Class A share on a net asset value basis for the six month period ended May 31, 2009 and for each 12 month period ended November 30 since inception are presented in the bar charts below. Each bar in the chart reflects the change in percentage terms of how a Unit, a Preferred share or a Class A share would have increased or decreased during the applicable period. In respect to the charts displayed below, please note the following:

- The performance information shown assumes that all cash distributions made by the Company during the periods shown were reinvested in the applicable additional securities of the Company,
- The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and,
- Past performance of the Company does not necessarily indicate how it will perform in the future.

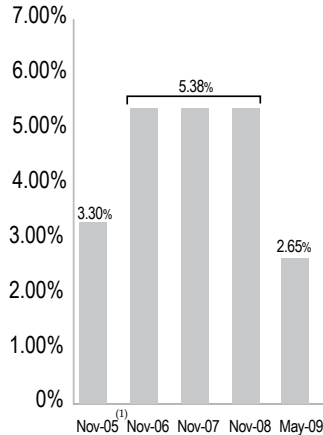
NET ASSET VALUE



CLASS A SHARE



PREFERRED SHARE



⁽¹⁾ Based on initial period from April 18, 2005 to November 30, 2005

CANADIAN LIFE COMPANIES SPLIT CORP.
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Canadian Life Companies Split Corp. (the "Company") and all the information in this semi-annual report are the responsibility of management and have been approved by the Board of Directors of the Company.

The Company maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with Canadian generally accepted accounting principles and may include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Company are described in Note 2 to the financial statements.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

The Company's independent auditors have not performed a review of these semi annual financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

CANADIAN LIFE COMPANIES SPLIT CORP.
STATEMENT OF FINANCIAL POSITION

AS AT MAY 31, 2009 AND NOVEMBER 30, 2008 (UNAUDITED)

	May 31, 2009 (\$)	November 30, 2008 (\$)
ASSETS		
Investments - at fair value (note 2)	130,695,537	142,741,389
Cash	9,710,794	3,050,128
Interest, dividends and other receivables	1,351,158	1,051,149
Total Assets	<u>141,757,489</u>	<u>146,842,666</u>
LIABILITIES		
Fees and other accounts payable	108,527	172,688
Payable in respect of investments purchased	2,158,500	-
Dividends payable	396,398	1,302,509
Unamortized premium on issue of Preferred shares	733,785	836,385
Preferred shares (note 4)	<u>90,605,290</u>	<u>90,609,290</u>
	<u>94,002,500</u>	<u>92,920,872</u>
SHAREHOLDERS' EQUITY		
Class A and Class B shares (note 5)	125,742,282	125,747,833
Retained earnings (deficit)	<u>(77,987,293)</u>	<u>(71,826,039)</u>
	47,754,989	53,921,794
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>141,757,489</u>	<u>146,842,666</u>
Number of units (1 Preferred share and 1 Class A share) outstanding	9,060,529	9,060,929
Net assets per unit (note 2)	\$15.35	\$16.04
Net assets per Preferred share (note 2)	\$10.00	\$10.00
Net assets per Class A share (note 2)	\$5.35	\$6.04

Approved on behalf of the Board of Directors



WAYNE FINCH
Chairman and
Chief Investment Officer



PETER CRUICKSHANK
Managing Director and
Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

CANADIAN LIFE COMPANIES SPLIT CORP.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

FOR THE SIX MONTH PERIOD ENDED MAY 31 (UNAUDITED)

	2009 (\$)	2008 (\$)
INCOME		
Dividends (net of foreign withholding taxes- \$10,999; 2008-\$9,071)	3,573,797	3,256,227
Interest	4,173	6,097
	<u>3,577,970</u>	<u>3,262,324</u>
EXPENSES (note 6)		
Management fees	474,664	999,099
Service fees	(36,000)	349,106
Audit fees	11,085	9,048
Directors' and Independent Review Committee fees	11,278	11,302
Custodian fees	15,812	20,940
Legal fees	12,523	9,946
Shareholder reporting costs	17,421	17,280
Other operating expenses	69,925	110,954
Goods and services tax	30,635	57,667
	<u>607,343</u>	<u>1,585,342</u>
Net investment income		
before distributions on Preferred shares	2,970,627	1,676,982
Distributions on Preferred shares (note 4 and 7)	(2,378,441)	(2,452,239)
Net investment (loss) for the period	<u>592,186</u>	<u>(775,259)</u>
Realized and unrealized gain (loss) on investments and options and transaction costs		
Net realized gain (loss) on investments and options	(6,809,634)	1,834,147
Change in unrealized appreciation (depreciation) of investments	321,920	(28,250,086)
Change in unrealized appreciation (depreciation) of foreign exchange	(349,226)	27,656
Transaction costs on purchase and sale of investments (note 2)	(30,312)	(29,304)
	<u>(6,867,252)</u>	<u>(26,417,587)</u>
Net (loss) on investments and options for the period		
Amortization of premium on issue of Preferred shares	102,600	102,600
Decrease in net assets from operations for the period	(6,172,466)	(27,090,244)
Retained earnings (deficit) - Beginning of period	(71,826,039)	32,304,697
Net allocation on retractions	11,212	219,558
Distributions on Class A shares (note 5 and 7)	-	(5,605,117)
Deficit - End of period	<u>(77,987,293)</u>	<u>(171,106)</u>
Decrease in net assets from operations per Class A share	(0.68)	(2.90)

The accompanying notes are an integral part of these financial statements.

CANADIAN LIFE COMPANIES SPLIT CORP.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE SIX MONTH PERIOD ENDED MAY 31 (UNAUDITED)

	2009 (\$)	2008 (\$)
Shareholders' equity - Beginning of period	53,921,794	164,590,469
Decrease in net assets from operations for the period	(6,172,466)	(27,090,243)
Class A share redemptions	5,661	(6,846,943)
Distributions on Class A shares		
From net realized gains	-	(1,834,147)
From return of capital	-	(3,770,970)
	<u>-</u>	<u>(5,605,117)</u>
Decrease in net assets for the period	<u>(6,166,805)</u>	<u>(39,542,303)</u>
Shareholders' equity - End of period	<u>47,754,989</u>	<u>125,048,166</u>

The accompanying notes are an integral part of these financial statements.

CANADIAN LIFE COMPANIES SPLIT CORP.
STATEMENT OF CASH FLOW

FOR THE SIX MONTH PERIOD ENDED MAY 31 (UNAUDITED)

	2009	2008
	(\$)	(\$)
Cash flow from Operating activities		
Net investment gain (loss) for the period	592,186	(775,259)
Proceeds from sale of investments	10,093,042	16,794,713
Purchase of investments	(4,565,216)	711,700
Net change in receivable balances	(300,009)	125,402
Net change in payable balances	1,188,228	(1,710,206)
Change in unrealized appreciation (depreciation) of foreign exchange	(349,226)	27,656
Cash flow from operations	<u>6,659,005</u>	<u>15,174,006</u>
Cash flow from Shareholder activities		
Amount paid on redemption of Class A shares and Preferred shares	1,661	(11,557,942)
Distributions on Class A shares	-	(5,605,117)
Cash flow from Shareholder activities	<u>1,661</u>	<u>(17,163,059)</u>
Net Increase (decrease) in cash for the period	6,660,666	(1,989,053)
Cash, beginning of period	<u>3,050,128</u>	<u>5,937,473</u>
Cash, end of period	<u>9,710,794</u>	<u>3,948,420</u>

The accompanying notes are an integral part of these financial statements.

CANADIAN LIFE COMPANIES SPLIT CORP.

STATEMENT OF PORTFOLIO INVESTMENTS

AS AT MAY 31, 2009

No. of shares	Description	Average Cost (\$) (Premiums received)	Market Value (\$)
4 Core Holdings			
Canadian Common Equities			
1,375,500	Great-West Lifeco Inc.	37,820,342	30,659,895
623,858	Industrial Alliance Insurance	18,478,396	16,357,557
1,489,900	Manulife Financial Corporation	50,446,548	34,893,458
1,009,600	Sun Life Financial Inc.	43,097,806	28,985,616
	Total Core Portfolio Equities (84.9%)	<u>149,843,092</u>	<u>110,896,526</u>
Other Canadian Equity Holdings			
50,000	Bank of Montreal	3,420,859	2,189,500
16,000	Bank of Nova Scotia	709,167	610,880
92,300	Canadian Imperial Bank of Commerce	8,812,388	5,035,888
96,000	Royal Bank of Canada	4,429,657	4,195,200
20,000	Toronto-Dominion Bank	1,246,056	1,108,200
	Total Canadian Equities in Other (10.1%)	<u>18,618,127</u>	<u>13,139,668</u>
	Total Canadian Equities	<u>168,461,219</u>	<u>124,036,194</u>
Other U.S. Common Equities			
94,000	Aflac Corp.	5,568,375	3,655,636
93,000	MetLife Inc.	5,699,589	3,209,110
5,000	Prudential Financial Inc.	204,292	218,337
	Total U.S. Equities in Other (5.4%)	<u>11,472,256</u>	<u>7,083,083</u>
Call Options written (100 shares per contract)			
Canadian call options written			
(500)	Bank of Montreal, July 2009 @ \$48	(62,500)	(21,500)
(400)	Canadian Imperial Bank of Commerce, June 2009 @ \$64	(45,600)	(4,400)
(500)	Canadian Imperial Bank of Commerce, June 2009 @ \$56	(42,010)	(53,500)
(430)	Manulife Financial Corporation, June 2009 @ \$26	(14,190)	(7,740)
(500)	Manulife Financial Corporation, June 2009 @ \$25	(32,000)	(19,000)
(300)	Manulife Financial Corporation, July 2009 @ \$25	(25,500)	(27,300)
(730)	Royal Bank of Canada, July 2009 @ \$46	(45,990)	(58,400)
(500)	Sun Life Financial Inc., June 2009 @ \$30	(20,000)	(29,500)
(1,300)	Sun Life Financial Inc., July 2009 @ \$30	(122,200)	(153,400)
(200)	Toronto-Dominion Bank, June 2009 @ \$54	(15,100)	(49,000)
	Total Canadian call options written (-0.3%)	<u>(425,090)</u>	<u>(423,740)</u>
		<u>179,508,385</u>	<u>130,695,537</u>
	less adjustments for transaction costs (note 2)	(139,023)	
	Total Investments (100%)	<u>179,369,362</u>	<u>130,695,537</u>

The accompanying notes are an integral part of these financial statements.

CANADIAN LIFE COMPANIES SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED MAY 31, 2009 AND 2008 (UNAUDITED)

1. Incorporation

Canadian Life Companies Split Corp. (the “Company”) is a mutual fund corporation established under the laws of the Province of Ontario on March 3, 2005 and began investment operations on April 18, 2005. The manager of the Company is Quadravest Inc. (the “Manager”) and the investment manager is Quadravest Capital Management Inc. (“Quadravest”). All shares outstanding on December 1, 2012, the termination date of the Company, will be redeemed by the Company on that date.

2. Summary of significant accounting policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), include estimates and assumptions by management that affect the reported amount of assets, liabilities, income and expenses during the reporting years. The following is a summary of the significant accounting policies followed by the Company. Actual results could differ from these estimates.

Adoption of New Accounting standards

On December 1, 2007, the Company adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”): Section 1535, Capital Disclosures; section 3862, Financial Instruments-Disclosures; and Section 3863, Financial Instruments-Presentation. These standards impact the Company’s disclosure provided but does not affect the Company’s results or financial position.

Section 1535-Capital Disclosures

On December 1, 2007, the Company adopted CICA section 1535, “Capital Disclosures” which requires that the Company disclose information about its objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance.

Section 3862-Financial Instruments-Disclosures

CICA section 3862, “Financial Instruments-Disclosures” requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Company manages those risks.

Section 3863-Financial Instruments-Presentation

CICA section 3863, “Financial Instruments-Recognition and Measurement,” carries forward the presentation requirements of Section 3861 with respect to financial instruments.

Valuation of investments

In accordance with Accounting Guideline 18, Investment Companies, investments are deemed to be categorized as held for trading, and are required to be recorded at fair value as defined in CICA Handbook-Accounting Section 3855, Financial Instruments-Recognition and Measurement (“Section 3855”). The provisions of Section 3855 were applied retroactively without a restatement of prior periods. Accordingly, the opening net assets in the Statement of Changes in Shareholders Equity for the period ended May 31, 2009 have been adjusted.

CANADIAN LIFE COMPANIES SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED MAY 31, 2009 AND 2008 (UNAUDITED)

The fair value of investments as at the financial reporting date is determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the closing bid price
- Listed options are valued at closing bid prices as reported on recognized exchanges
- Fixed income investments are based on the average bid quotations from recognized dealers

Section 14.2 of amended National Instrument 81-106 ("NI-106") issued by the Canadian Securities Administrators, that came into force on September 8, 2008, requires an investment fund to calculate its net asset value for the purposes of any purchases or redemption of units to be based on the fair value of the investment fund's assets and liabilities (Net Asset Value or NAV). The Company has not changed its methodology in this respect.

The fair value of investments for purposes of calculating the bi monthly net asset value published on the Company's website and also used for the purposes of calculating the price paid on any redemptions received is determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the last traded market price
- Listed options are valued at the last traded prices as reported on recognized exchanges
- Fixed income investments are based on the average bid quotations from recognized dealers

In accordance with Section 3.6 (1) 5 of NI-81-106, the Net Asset Value per unit is compared to the Net Assets per unit and a reconciliation between the differences, are required in the notes to the financial statements. The following table is presented to show the differences between the calculations of these amounts:

	Net Assets (GAAP NAV) per unit	Difference	Net Asset Value (Published NAV) per unit
May 31, 2009	\$15.35	\$0.02	\$15.37
May 31, 2008	\$23.90	\$0.01	\$23.91

Transaction costs

- Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Company are recognized as an expense in the Statement of Operations and Retained Earnings (Deficit). The transaction costs for investments held at May 31, 2009 is shown separately on the Statement of Portfolio Investments.

Investment transactions and income recognition

- Investment transactions are accounted for on the trade date.
- Realized gains and losses on investment sales and unrealized appreciation or depreciation in investment values are calculated on the average cost basis.
- Option fees paid or received are deferred and included in investments on the statements of financial position. Realized capital gains or losses are recognized in the statements of operations when options are exercised, expire or are closed out.

CANADIAN LIFE COMPANIES SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED MAY 31, 2009 AND 2008 (UNAUDITED)

- Deferred gains and losses on options are recognized in investments and as a component of net unrealized appreciation (depreciation) in the statements of operations.
- Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned.
- Net realized gains and losses on investments include net realized gains or losses from foreign currency changes.

Redeemable Preferred shares

Each redeemable Preferred share is valued for financial statement purposes at the lesser of: (i) \$10.00; and (ii) the net assets of the Company divided by the number of Preferred shares outstanding. The net assets is equal to the difference between the aggregate value of the assets of the Company and the aggregate value of the liabilities excluding Preferred shares of the Company on a particular date.

Recent Accounting Pronouncements

The Canadian Accounting Standards Board ("AcSB") has confirmed its plan to adopt all International Financial Reporting Standards, as published by the International Accounting Standards Board, on or by January 1, 2011. In accordance with Canadian GAAP and AcSB's plan, the Company will adopt the International Financial Reporting Standards (IFRS). The Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact in the 2009 annual financial statements, the disclosure of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2012 financial statements in accordance with IFRS with comparatives. The Manager has presently determined that there will be no impact to net asset value per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures and potentially different presentation of shareholder interests and other items in the financial statements of the Company.

Amendment to Section 3862- Financial Instruments Disclosure

In March 2009, the International Accounting Standards Board issued amendments to IFRS 7, Financial Instruments: Disclosures ("IFRS 7") intended to improve disclosures about fair value and liquidity risk. The Canadian Accounting Standards Board announced in its March 25-26 Decision Summary that it will adopt the amendments into Canadian generally accepted accounting principles ("GAAP") section 3862, Financial Instruments-Disclosures ("Section 3862"). The amendments apply to fiscal years ending after September 30, 2009, under Canadian GAAP. The new disclosures required by Section 3862 are intended to provide users additional information about how an entity determined fair values and how much of those fair values are derived through estimation rather than objective evidence.

3. Management of Financial Risk

The Company's investment activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk.

Any sensitivity analysis presented below may differ from actual results and the difference could be material.

CANADIAN LIFE COMPANIES SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED MAY 31, 2009 AND 2008 (UNAUDITED)

Market Price Risk

All securities investments present a risk of loss of capital. The 4 core stock holdings were selected because of their long term history of above average market price appreciation and dividend growth. These Portfolio Companies were selected from the life insurance sector of the financial services indices of the S&P/TSX 60 and are among the largest financial services companies in Canada.

The market price risk is affected by three main components: price movements, interest rate risk and foreign currency movements.

Price risk

It would be reasonable to expect that the Company's portfolio will exhibit market price movements that are reflective and generally highly correlated with the 4 securities. The supplemental covered call writing program which generates an additional stream of income to the portfolio may also help mitigate against market price declines during years in which a particular Portfolio company has a covered call option written against that position.

A 10% increase /decrease in the portfolio would currently increase/decrease net assets by \$13,069,554.

Interest rate risk

The majority of the Company's financial assets and liabilities are non interest bearing. As a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates and considers interest rate risk insignificant.

Currency risk

Three of the non core holdings as at May 31, 2009 were US life insurance companies. As at May 31, 2009, 6.7% of the net assets were invested in US dollar denominated assets. As a result, the Company's net asset value will be affected by changes in the US dollar relative to the Canadian dollar which is the functional currency of the Company. The Company has not entered into currency hedging contracts. As a result, if the Canadian dollar appreciated/depreciated by 5% against the US dollar, the net assets of the Company would currently decrease/increase by approximately \$462,923.

Other risks

Credit risks

Credit risk is defined as the risk that a counterparty will be unable to pay amounts in full when due. All of the Company's transactions are in listed securities and options and are settled and paid for using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on purchase once the securities have been received by the broker.

Liquidity risk

The Company pays monthly dividends and is subject to redemption requests from time to time. The Company's Portfolio is invested in highly liquid large capitalization investments that trade on the Toronto Stock Exchange ("TSX") and New York Stock Exchange ("NYSE"). As such, any requirement to raise cash beyond the Company's normal operating level can be satisfied through the sales of its Portfolio holdings. The Company receives adequate notice for all redemption requests. .

CANADIAN LIFE COMPANIES SPLIT CORP.
NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED MAY 31, 2009 AND 2008 (UNAUDITED)

Concentration risk

The Company's 4 core holdings are concentrated in the life insurance sector and as such will be exposed to the specific factors that affect this sector. An individual Portfolio holding could be as high as 30% of the net asset value of the Company.

4. Preferred shares

The Company is authorized to issue an unlimited number of Preferred shares.

<u>Issued and outstanding</u>	May 31, 2009	May 31, 2008
9,060,529 Preferred shares (2008-9,060,929)	<u>\$90,605,290</u>	<u>\$90,609,290</u>

Preferred share transactions

Beginning of period	9,060,929	9,532,029
Redemptions during the period	(400)	(471,100)
End of period	<u>9,060,529</u>	<u>9,060,929</u>

Preferred shares were issued at \$10 per share.

Preferred shares are entitled to fixed, cumulative monthly cash dividends of \$0.04375 per Preferred share. All Preferred shares outstanding on December 1, 2012 will be redeemed by the Company on that date. For accounting purposes, the Preferred shares have been presented as liabilities in the financial statements in accordance with Section 3863 of the CICA Handbook.

Preferred shares trade under the symbol "LFE.PR.A" on the TSX. Preferred shares trading price on the TSX was \$9.20 as at May 31, 2009 (\$10.27 - May 31, 2008). Preferred shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Preferred share and a Class A share (together, a "unit") in the month of March in each year will be entitled to receive an amount equal to the transactional net asset value per unit on the last day of March. Preferred shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. 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 or 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 with respect to the payment of dividends. Preferred shares rank in priority to the Class A shares upon termination of the Company.

5. Class A shares and Class B shares

Authorized

An unlimited number of Class A shares
1,000 Class B shares

<u>Issued and outstanding</u>	May 31, 2009	May 31, 2008
9,060,529 Class A shares (2008 - 9,060,929)	\$125,741,282	\$125,218,272
1,000 Class B shares	\$1,000	\$1,000
	<u>\$125,742,282</u>	<u>\$125,219,272</u>

Class A share transactions

Beginning of period	9,060,929	9,532,029
Redemptions during the period	(400)	(471,100)
End of period	<u>9,060,529</u>	<u>9,060,929</u>

CANADIAN LIFE COMPANIES SPLIT CORP.
NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED **MAY 31, 2009 AND 2008 (UNAUDITED)**

Class A shares trade under the symbol "LFE" on the TSX. Class A shares trading price on the TSX was \$4.70 as at May 31, 2009 (\$13.86- May 31, 2008). Class A shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Class A share and a Preferred share (together, a "unit") in the month of March in each year will be entitled to receive an amount equal to the transactional net asset value per unit on the last day of March. Class A shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. 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 or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class A shares with respect to the payment of dividends. Upon the termination of the Company, Class A shareholders will receive an amount equal to the transactional net asset value per unit less \$10 (the redemption value of the Preferred shares).

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 shareholders are entitled to one vote per share.

6. Expenses

The Company is responsible for all expenses incurred in connection with the operation and administration of the Company, including, but not limited to, ongoing custodian, transfer agent, legal and audit expenses.

Pursuant to the administration agreement, the Manager is entitled to an administration fee payable monthly in arrears at an annual rate of 0.20% of the transactional net assets of the Company, which includes the outstanding Preferred shares, calculated as at each monthly valuation date and an amount equal to the service fee payable to dealers on the Class A shares at a rate of 0.50% per annum.

Pursuant to the terms of the investment management agreement, Quadravest is entitled to a base management fee payable in arrears at an annual rate equal to 0.65% of the transactional net assets of the Company, which includes the outstanding Preferred shares, calculated as at each monthly valuation date. In addition, Quadravest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Total management fees of \$474,664 (May 31, 2008 - \$999,099), incurred during the year, include the administration fee and base management fee. No performance fees were paid in 2009 or 2008.

Total brokerage commission paid during the year by the Company for its portfolio transactions were \$30,312 (2008 - \$29,304).

7. Distributions

The Company's investment objectives are to provide steady monthly distributions to both the Preferred and Class A shareholders while returning the original issue price to each shareholder on the termination date of the Company on December 1, 2012.

Distributions per share were as follows:

	May 31, 2009	May 31, 2008
Preferred shares	\$0.2625	\$0.2625
Class A shares	-	\$0.60

CANADIAN LIFE COMPANIES SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED MAY 31, 2009 AND 2008 (UNAUDITED)

8. Capital Management

The Company considers its capital to consist of Class A, Class B and Preferred shares.

The Company's objectives in managing its capital are:

- i) to provide holders of Preferred shares with fixed cumulative preferential monthly cash dividends in an amount of \$0.04375 per Preferred share to yield 5.25% per annum on the original issue price and to return the original issue price to their holders on December 1, 2012; and
- ii) to provide holders of Class A shares with regular monthly cash distribution targeted to be \$0.10 per Class A share to yield 8.0% on the original issue price and return the original issue price to their holders on December 1, 2012

In order to manage its capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

9. 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. Also, the Company is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends.

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.

QUADRAVEST CAPITAL MANAGEMENT INC.

Quadravest Capital Management Inc. was formed in 1997 and is focused on the creation and management of enhanced yield products for retail investors. The investment strategy combines fundamental based equity investing with covered call writing. Guided by four key principles, Quadravest sets attainable investment objectives that allow the team to stay focused on a long-term investment strategy.

The four principles – innovation in financial products, discipline in investment management, solid results for investors, and excellence in client service – form the foundation of Quadravest. Each member of the firm’s tight-knit team is committed to upholding these principles, ensuring a coherence and dedication that is unique to the Company.

Quadravest has raised over \$2.5 billion in initial public offerings.

BOARD OF DIRECTORS

Wayne Finch,
Chairman and
Chief Investment Officer

Laura Johnson,
Managing Director and
Portfolio Manager

Michael W. Sharp
Blake, Cassels & Graydon LLP

Peter Cruickshank,
Managing Director and
Chief Financial Officer

William Thornhill,
President, William C.
Thornhill Consulting Inc.

John Steep
President, S. Factor Consulting Inc.

CORPORATE DETAILS

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Custodian

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