

2008

PRIME RATE PLUS CORP.
ANNUAL REPORT



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.

PRIME RATE PLUS CORP.
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
NOVEMBER 30, 2008

This is the annual Management Report of Fund Performance (MRFP) for the year ended November 30, 2008. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The 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.primerateplus.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.primerateplus.com or www.sedar.com.

INVESTMENT OBJECTIVES AND STRATEGIES

Prime Rate Plus Corp. invests primarily in a portfolio of common shares which will include each of the following Canadian chartered banks:

Bank of Montreal
Canadian Imperial Bank of Commerce
National Bank of Canada

The Bank of Nova Scotia
Royal Bank of Canada
The Toronto-Dominion Bank

The Company may also invest up to 20% of the Net Asset Value in equity securities of Canadian or foreign financial services corporations other than the core holdings 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 cumulative preferential floating rate monthly cash dividends at a rate per annum equal to the prevailing Canadian prime rate plus 0.75%, with a minimum annual rate of 5.0% and a maximum annual rate of 7% based on original issue price; and
2. On or about December 1, 2012 (the termination date) to pay holders the original issue price (\$10) of those shares.

Class A Shares

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

1. To provide holders with regular floating rate monthly cash distributions targeted to be at a rate per annum equal to the prevailing Canadian prime rate plus 2%, with a minimum targeted annual rate of 5% and a maximum targeted annual rate of 10.0%; and
2. On or about December 1, 2012 (the termination date) to pay holders the original issue price (\$15) of those shares.

RISK

The risks of investing in the Company remain as discussed in the Annual Information form dated February 23, 2009. In addition, Note 3 of the 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 has increased significantly over the year ended November 30, 2008 as further explained in the Results of Operation section below. This environment has had a material adverse impact on the market prices of the companies held in the portfolio.

RESULTS OF OPERATIONS

The year ended November 30, 2008 was one of the worst periods in financial market history. The underlying problems in the US subprime housing market which began to surface in August 2007 developed into a full global financial and economic crisis by the end of 2008.

The financial sector in the United States reached a critical point in the fall of 2008 as many former blue chip financial services companies, weighed down by worsening mortgage loans, excessive leverage and failed credit default swaps, began encountering capital and insolvency problems. The collapse of Lehman Brothers in September 2008 proved to be a particularly destabilizing event creating tremendous uncertainty in financial markets. Following this event, the US government took unprecedented actions to save many similarly troubled US financial companies by injecting billions into these companies in an effort to deal with their troubled assets and improve their capital bases.

The destabilization of the US financial services sector had a far reaching global impact and demonstrated the interconnectivity of world financial markets. As a consequence, most other major governments around the world ultimately had to take similar actions as it became evident that these problems were not isolated to the US financial services companies. On the monetary front, central banks around the world continued to aggressively cut administered interest rates to multi-decade lows in an attempt to make borrowing easier and stimulate their economies.

Notwithstanding the massive amounts of capital that have been injected into financial services companies around the world and record low interest rates, the credit "freeze" remained a major problem as lending activity reached record low levels towards the end of 2008. The lack of available credit to even the most creditworthy corporations began weighing on economic growth.

By the end of 2008, the cumulative impact of the deterioration in financial and economic conditions created record lows in business, investor and consumer confidence and resulted in recessionary conditions throughout the world. In addition, the de-leveraging of hedge funds and other similar funds during the final months exacerbated market volatility and losses in financial markets.

Market indices experienced declines not seen since the Great Depression of the 1930s. In Canada, the S&P TSX Financial index declined by -32.45% for the year ending November 30, 2008 evidencing the deterioration of financial and economic conditions on even these broad based financial services indices.

Throughout this difficult environment, the core holdings in the portfolio have been negatively impacted. The Company met its distribution objectives during the year for both classes of shares, but the net asset value declined to \$15.75 per unit (a unit consisting of one Preferred share and one Class A share) as of November 30, 2008.

Although the Canadian financial services companies have been adversely impacted by this worldwide financial crisis, the Canadian banks have on a relative basis performed much better than almost all other banking sectors across the world. Canadian Banks appear to have much stronger asset bases and have not reduced dividends unlike most other Banks around the world. The Canadian government has already taken significant steps to ensure that the Canadian banking sectors remain strong and also the Canadian banks have been successful in raising additional capital throughout 2008.

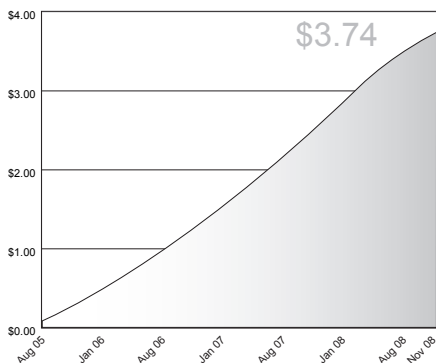
The dividend income in the portfolio continues to be supplemented by a limited covered call writing program which provides some additional income to the portfolio.

DISTRIBUTIONS

Class A Shares - Distributions

Class A shareholders are entitled to receive regular monthly cash dividends initially targeted to yield a floating rate based on the prime rate in Canada plus 2% per annum on the original issue price. Distributions paid during the year include 12 distributions at the targeted rate for a total of \$1.0535 per share.

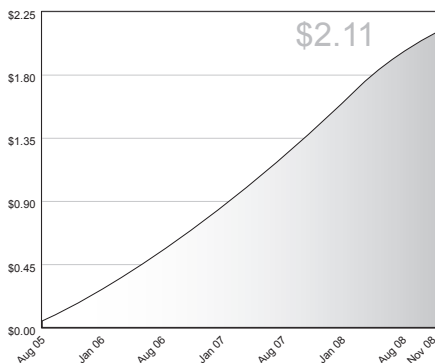
Cumulative Distributions since inception



Preferred Shares - Distributions

Preferred shareholders are entitled to receive regular monthly cash dividends initially targeted to yield a floating rate based on the prime rate in Canada plus 0.75% per annum on the original issue price. Distributions paid during the year include 12 distributions at the targeted rate for a total of \$0.5794 per share.

Cumulative Distributions since inception



RECENT DEVELOPMENTS

Adoption of new accounting standards:

On December 1, 2008, 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. Detailed information on the impact of these standards can be found in Note 3 of the annual audited financial statements.

RELATED PARTY TRANSACTIONS

Quadravest Capital Management Inc. (the "Investment Manager") and Quadravest Inc. ("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 \$1,967,727 paid for the year ended November 30, 2008 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 November 30, 2008

Name	Weighting (%)
Toronto-Dominion Bank	24.4
Royal Bank of Canada	19.1
Bank of Nova Scotia	16.9
Canadian Imperial Bank of Commerce	16.4
Bank of Montreal	12.4
National Bank of Canada	10.8
Total long positions as a percentage of net assets	100.0
Other net assets	0.0
Total net assets	100.0

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 annual financial statements and previous annual audited financial statements. For November 30, 2008 and November 30, 2007, 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 Assets per unit

	Years ended November 30			
	2008	2007	2006 ⁽²⁾	2005 ⁽²⁾
Net assets per unit, beginning of year ⁽¹⁾	25.30	26.43	24.72	23.76 ⁽³⁾
Increase (decrease) from operations				
Total revenue	0.94	0.82	0.75	0.24
Total expenses	(0.26)	(0.35)	(0.48)	(0.12)
Realized gains for the year	0.07	2.00	0.42	0.01
Unrealized gains (losses) for the year	<u>(8.69)</u>	<u>(1.68)</u>	<u>2.81</u>	<u>1.35</u>
Total increase (decrease) from operations ⁽⁴⁾	<u>(7.94)</u>	<u>0.79</u>	<u>3.50</u>	<u>1.48</u>
Distributions ⁽⁵⁾				
Taxable Dividends	(1.57)	(0.82)	(1.28)	(0.48)
Capital Gains	<u>(0.06)</u>	<u>(1.08)</u>	<u>(0.51)</u>	<u>(0.04)</u>
Total annual distributions	<u>(1.63)</u>	<u>(1.90)</u>	<u>(1.79)</u>	<u>(0.52)</u>
Net assets per unit at end of year	15.75	25.30	26.43	24.72
Net assets per Preferred share	10.00	10.00	10.00	10.00
Net assets per Class A share	<u>5.75</u>	<u>15.30</u>	<u>16.43</u>	<u>14.72</u>
Net assets per unit at end of year	15.75	25.30	26.43	24.72

(1) Net assets 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 for the year July 15, 2005 (inception) to November 30, 2005

(3) Initial Net assets per unit is after deducting all agents' fees and filing costs in connection with the initial public offering.

(4) Total increase (decrease) 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 year.

(5) Distributions are 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

	Years ended November 30			
	2008	2007	2006	2005 ⁽¹⁾
Net assets (millions)	\$173.7	\$283.0	\$304.6	\$284.9
Number of units outstanding ⁽²⁾	10,798,550	11,158,200	11,525,000	11,525,000
Base Management expense ratio ⁽³⁾	1.27%	1.31%	1.38%	1.30%
Management expense ratio including one time initial offering expenses ⁽⁴⁾	1.27%	1.31%	1.38%	6.50%
Management expense ratio with performance fee and one time initial offering expenses	1.27%	1.31%	1.92%	6.50%
Portfolio turnover rate ⁽⁵⁾	0.5%	30.8%	15.0%	0.5%
Trading expense ratio ⁽⁶⁾	0.02%	0.06%	0.03%	0.07%
Closing market price (TSX): Preferred shares	\$7.19	\$10.55	\$11.40	\$11.15
Closing market price (TSX): Class A shares	\$5.00	\$12.80	\$14.37	\$14.45

⁽¹⁾ Results for the year July 15, 2005 (inception) to November 30, 2005

⁽²⁾ This information is provided as at November 30

⁽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. Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of average net assets during the year

⁽⁴⁾ Share issue expenses, representing all Agents' fees and other offering expenses are one time initial expenses connected with the launch of the Company

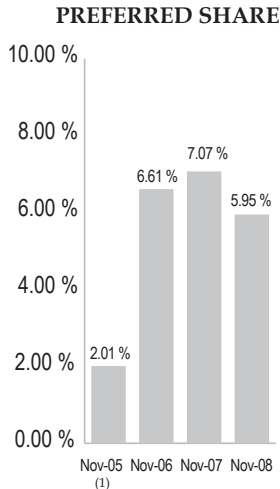
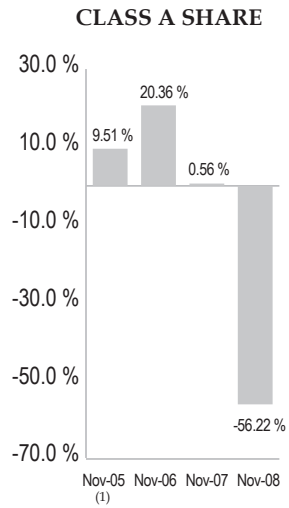
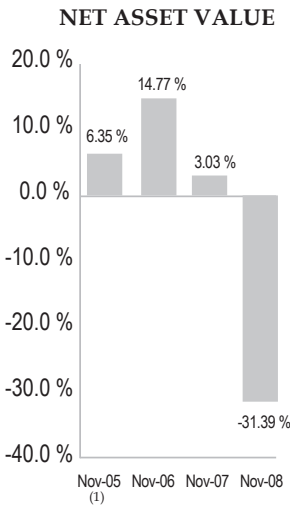
⁽⁵⁾ The Company's portfolio turnover rate indicates how actively the Company's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The Company employs 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

⁽⁶⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net assets during the year.

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 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 years 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.



⁽¹⁾ Based on the initial year from July 15, 2005 to November 30, 2005

ANNUAL COMPOUND PERFORMANCE

The following table shows the Company's annual compound return for the period ended November 30, 2008:

	One year	Three years	Since inception
Prime Rate Plus Corp. - Unit	-31.39%	-6.74%	-4.28%
Prime Rate Plus Corp. - Preferred share	5.95%	6.54%	6.40%
Prime Rate Plus Corp. - Class A share	-56.22%	-19.08%	-14.96%
Benchmark Index ⁽¹⁾	N/A	N/A	N/A

MARKET INDEX

S&P TSX Financial index	-32.45%	-5.13%	-2.31%
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⁽¹⁾ As a result of the Company being limited to a specific universe of stocks and that a covered call writing program is implemented to generate additional income, the investment profile of the Company is quite unique and any comparisons with any other external market indices may not be appropriate.

PRIME RATE PLUS CORP.
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Prime Rate Plus Corp. (the "Company") and all the information in this 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 with the approval of its Board of Directors, has appointed the external firm PricewaterhouseCoopers LLP as the auditors of the Company. They have audited the financial statements of the Company in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

AUDITORS' REPORT
FEBRUARY 12, 2009

Auditors' Report

To the Shareholders of Prime Rate Plus Corp.

We have audited the statement of portfolio investments of **Prime Rate Plus Corp.** (the "Company") as at November 30, 2008, the statements of financial position as at November 30, 2008 and 2007 and the statements of operations and retained earnings (deficit), changes in shareholders' equity and cash flow for the years ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2008 and 2007 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario

PRIME RATE PLUS CORP.
STATEMENTS OF FINANCIAL POSITION

AS AT NOVEMBER 30

	2008 (\$)	2007 (\$)
ASSETS		
Investments - at fair value (note 2)	169,799,343	274,712,838
Cash	1,785,139	9,353,909
Interest, dividends and other receivables	-	1,439
Receivable in respect of investments sold	-	417,435
Total Assets	<u>171,584,482</u>	<u>284,485,621</u>
LIABILITIES		
Fees and other accounts payable	207,026	369,261
Dividends payable	1,259,867	1,801,603
Preferred shares (note 4)	107,985,500	111,582,000
	<u>109,452,393</u>	<u>113,752,864</u>
SHAREHOLDERS' EQUITY		
Class A and Class B shares (note 5)	148,552,474	153,500,073
Retained earnings (deficit)	<u>(86,420,385)</u>	<u>17,232,684</u>
	<u>62,132,089</u>	<u>170,732,757</u>
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>171,584,482</u>	<u>284,485,621</u>

Number of units (1 Preferred share and 1 Class A share) outstanding	10,798,550	11,158,200
Net assets per unit (note 2)	\$15.75	\$25.30
Net assets per Preferred share (note 2)	\$10.00	\$10.00
Net assets per Class A share (note 2)	\$5.75	\$15.30
Net asset per unit (Transactional NAV)(note 2)	\$16.08	\$25.36

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.

PRIME RATE PLUS CORP.**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)**

FOR THE YEARS ENDED NOVEMBER 30

	2008	2007
	(\$)	(\$)
INCOME		
Dividends	10,199,012	9,358,513
Interest	2,646	43,418
	<u>10,201,658</u>	<u>9,401,931</u>
EXPENSES (note 6)		
Management fees	1,967,727	2,592,180
Service fees	510,173	936,824
Audit fees	19,461	20,176
Directors' and Independent Review Committee fees	24,068	28,557
Custodian fees	42,126	52,138
Legal fees	14,502	11,285
Shareholder reporting costs	26,418	16,272
Other operating expenses	131,984	164,717
Capital tax	-	750
Goods and services tax	110,397	174,068
	<u>2,846,856</u>	<u>3,996,967</u>
Net investment income		
before distributions on Preferred shares	7,354,802	5,404,964
Distributions on Preferred shares (note 4 and 7)	<u>(6,287,146)</u>	<u>(7,813,653)</u>
Net investment income (loss) for the year	<u>1,067,656</u>	<u>(2,408,689)</u>
Realized and unrealized gain (loss)		
on investments and options and transaction costs		
Net realized gain on investments and options	734,063	22,858,187
Change in unrealized depreciation of investments	(94,029,361)	(19,120,269)
Transaction costs on purchase and sale of investments (note 2)	<u>(37,582)</u>	<u>(173,698)</u>
Net gain (loss) on investments and options for the year	<u>(93,332,880)</u>	<u>3,564,220</u>
Increase (decrease) in net assets from operations for the year	<u>(92,265,224)</u>	<u>1,155,531</u>
Retained earnings - Beginning of year	17,232,684	30,803,302
Transitional adjustment for new accounting policy (note 2)	-	(157,930)
Net allocations on retractions	17,068	(709,165)
Distributions on Class A shares (note 5 and 7)	<u>(11,404,913)</u>	<u>(13,859,054)</u>
Retained earnings (deficit) - End of year	<u>(86,420,385)</u>	<u>17,232,684</u>
Increase (decrease) in net assets from operations		
per Class A share	(8.52)	0.10

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

PRIME RATE PLUS CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED NOVEMBER 30

	2008	2007
	(\$)	(\$)
Shareholders' equity - Beginning of year	170,732,757	189,349,302
Transitional adjustment on adopting new accounting pronouncement (note 2)	-	(157,930)
Adjusted Shareholders' equity - Beginning of year	<u>170,732,757</u>	<u>189,191,372</u>
Increase (decrease) in net assets from operations for the year	(92,265,224)	1,155,531
Class A share redemptions	(4,930,531)	(5,755,092)
Distributions on Class A shares		
From net income	(1,067,656)	-
From net realized gains	(734,063)	(13,859,054)
From return of capital	<u>(9,603,194)</u>	<u>-</u>
	(11,404,913)	(13,859,054)
Decrease in net assets for the year	<u>(108,600,668)</u>	<u>(18,458,615)</u>
Shareholders' equity - End of year	<u>62,132,089</u>	<u>170,732,757</u>

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

PRIME RATE PLUS CORP.
STATEMENTS OF CASH FLOW
 FOR THE YEARS ENDED NOVEMBER 30

	2008 (\$)	2007 (\$)
Cash flow from Operating activities		
Net investment income (loss) for the year	1,067,656	(2,408,689)
Proceeds from sale of investments	10,401,090	119,633,458
Purchase of investments	1,179,525	(88,405,861)
Net change in receivable balances	418,874	(405,874)
Net change in payable balances	<u>(703,971)</u>	<u>(1,714,355)</u>
Cash flow from operations	12,363,174	26,698,679
Cash flow from Shareholder activities		
Distributions on Class A shares	(11,404,913)	(13,859,054)
Amount paid on redemption of Class A shares and Preferred shares	<u>(8,527,031)</u>	<u>(9,423,092)</u>
Cash flow from Shareholder activities	(19,931,944)	(23,282,146)
Net increase (decrease) in cash for the year	(7,568,770)	3,416,533
Cash, beginning of year	9,353,909	5,937,376
Cash, end of year	<u>1,785,139</u>	<u>9,353,909</u>

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

PRIME RATE PLUS CORP.
STATEMENT OF PORTFOLIO INVESTMENTS
AS AT NOVEMBER 30, 2008

No. of shares	Description	Average Cost (\$ (Premiums received)	Fair Value (\$)
Canadian Common Equities			
572,400	Bank of Montreal	35,037,697	21,127,284
779,000	Bank of Nova Scotia	33,733,216	28,823,000
574,200	Canadian Imperial Bank of Commerce	50,603,627	27,854,442
451,000	National Bank of Canada	26,957,792	18,355,700
773,700	Royal Bank of Canada	32,786,347	32,503,137
921,100	Toronto-Dominion Bank	56,250,726	41,449,500
Total Canadian Common Equities in Core Holdings (100.2%)		<u>235,369,405</u>	<u>170,113,063</u>
Call Options written (100 shares per contract)			
No. of contracts	Canadian call options written		
(800)	Bank of Montreal, January 2009 @ \$40	(78,400)	(48,000)
(470)	Royal Bank of Canada, January 2009 @ \$44	(78,490)	(82,720)
(600)	Toronto-Dominion Bank, January 2009 @ \$46	(119,400)	(183,000)
Total Canadian call options written (-0.2%)		<u>(276,290)</u>	<u>(313,720)</u>
		<u>235,093,115</u>	<u>169,799,343</u>
less adjustment for transaction costs (note 2)		(78,183)	
Total Investments (100%)		<u>235,014,932</u>	<u>169,799,343</u>

The Statement of Portfolio Investments is at November 30, 2008 and may or may not be indicative of the current portfolio. Due to tax considerations, the level of option premiums outstanding at year end may not be indicative of options outstanding during the year.

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

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

1. Incorporation

Prime Rate Plus Corp. (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on May 25, 2005 and began investment operations on July 15, 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.

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

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 November 30, 2007 have been adjusted.

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's 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

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

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)	Difference	Net Asset Value (Published NAV)
November 30, 2008	\$170,117,589	\$3,567,520	\$173,685,109

	Net Assets (GAAP NAV) per unit	Difference	Net Asset Value (Published NAV) per unit
November 30, 2008	\$15.75	\$0.33	\$16.08

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 November 30, 2008 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.
- 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.

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

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 (IRFS). 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 IRFS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures in the financial statements of the Company.

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.

Market Price Risk

All securities investments present a risk of loss of capital. The 6 core Canadian Bank holdings were selected because of their long term history of above average market price appreciation and dividend growth. These Companies were selected from the life banking sector of the financial services index of the S&P/TSX 60 index 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 6 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 (net of any covered call options written) would currently increase/decrease net assets by \$17,011,306.

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.

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

Currency risk

All portfolio holdings and other net assets are denominated in Canadian dollars and therefore there is no currency risk.

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"). As such, any requirement to raise cash beyond the Company's normal operating level can easily be satisfied through the sales of its Portfolio holdings. The Company receives adequate notice for all redemption requests. The Company considers liquidity risk as low.

Concentration risk

The Company's 6 core holdings are concentrated in the banking sector and as such will be exposed to the specific factors that affect this sector. An individual portfolio holding could be as high as 20% 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>	November 30, 2008	November 30, 2007
10,798,550 Preferred shares (2007 - 11,158,200)	<u>\$107,985,500</u>	<u>\$111,582,000</u>

Preferred share transactions

Beginning of year	11,158,200	11,525,000
Redemptions during the year	(359,650)	(366,800)
End of year	<u>10,798,550</u>	<u>11,158,200</u>

As at November 30, 2008, the Company received redemption requests of 25,000 Preferred shares. The shares will be recirculated, if possible, or redeemed pursuant to the terms of the specified retraction formula.

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

Preferred shares are entitled to cumulative preferential floating rate monthly cash dividends at a rate per annum equal to the Prime Rate in Canada plus 0.75% with a minimum annual rate of 5.0% and a maximum annual rate of 7.0% (based on the original issue price).

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 "PPL.PR.A" on the TSX. Preferred shares trading price on the TSX was \$7.19 as at November 30, 2008 (\$10.55- November 30, 2007). 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 July in each year will be entitled to receive an amount equal to the transactional net asset value per unit on the last day of July. 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 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 sharesAuthorized

An unlimited number of Class A shares

1,000 Class B shares

Issued and outstanding

10,798,550 Class A shares (2007- 11,158,200)

1,000 Class B shares

November 30, 2008

\$148,551,474

\$1,000

\$148,552,474

November 30, 2007

\$153,499,073

\$1,000

\$153,500,073Class A share transactions

Beginning of year

11,158,200

11,525,000

Redemptions during the year

(359,650)(366,800)

End of year

10,798,550

11,158,200

As at November 30, 2008, the Company received redemption requests of 230,045 Class A shares. The shares will be recirculated, if possible, or redeemed pursuant to the terms of the specified retraction formula.

Class A shares were issued at \$15 per share. Class A share distributions are floating rate monthly cash distributions targeted to be at a rate per annum equal to the Prime Rate in Canada plus 2.0% with a minimum targeted annual rate of 5.0% and a maximum targeted annual rate of 10% (based on the original issue price). All Class A shares outstanding on December 1, 2012 will be redeemed by the Company on that date.

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

Class A shares trade under the symbol "PPL" on the TSX. Class A shares trading price on the TSX was \$5.00 as at November 30, 2008 (\$12.80 - November 30, 2007). 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 July in each year will be entitled to receive an amount equal to the transactional net asset value per unit on the last day of July. 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 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. On July 15, 2005, the Company issued \$1,000 Class B shares to Prime Rate Plus Corp. Holding Trust for cash consideration of \$1,000.

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 \$1,967,727 (2007- \$2,592,180), incurred during the year, include the administration fee and base management fee. No performance fees were paid in 2008 or 2007.

Total brokerage commission paid during the year by the Company for its portfolio transactions were \$37,582 (2007- \$173,698).

7. Distributions

The Company's investment objectives are to provide floating 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:

	November 30, 2008	November 30, 2007
Preferred shares	\$0.5794	\$0.6854
Class A shares	\$1.0535	\$1.2156

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

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 cumulative preferential floating rate monthly cash dividends at a rate per annum equal to the prevailing Canadian prime rate plus 0.75%, with a minimum annual rate of 5.0% and a maximum annual rate of 7% based on original issue price and return the original issue price on December 1, 2012; and
- ii) to provide holders of Class A shares with regular floating rate monthly cash distribution targeted to be at a rate per annum equal to the prevailing Canadian prime rate plus 2%, with a minimum targeted annual rate of 5% and a maximum targeted annual rate of 10.0% based on original issue price and return the original issue price 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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