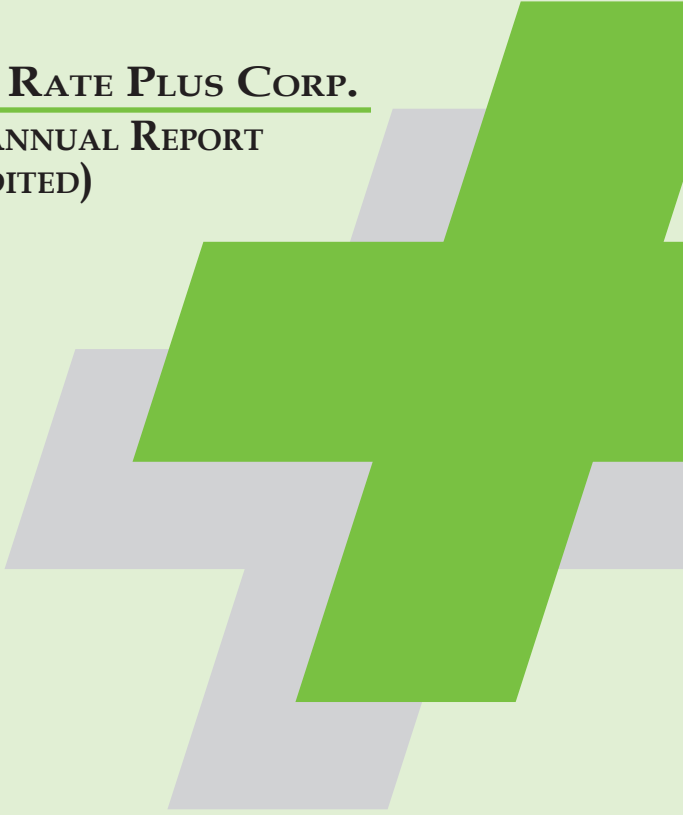


MAY 31 | **PRIME RATE PLUS CORP.**
2008 | **SEMI-ANNUAL REPORT**
(UNAUDITED)



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.

PRIME RATE PLUS CORP.**SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE****MAY 31, 2008**

This is the semi-annual Management Report of Fund Performance (MRFP) for the period ended May 31, 2008. 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.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 21, 2008. 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.

RESULTS OF OPERATIONS

Overall financial markets continue to be adversely impacted by the confluence of record high commodity prices and the continuing credit related problems originating from the US sub prime lending market. These conditions have caused economic growth to slow considerably in both Canada and the United States while at the same time high commodity prices are beginning to lead to a marked increase in inflationary pressures. In particular, the dramatic increase in oil prices has become a large obstacle for economic recovery.

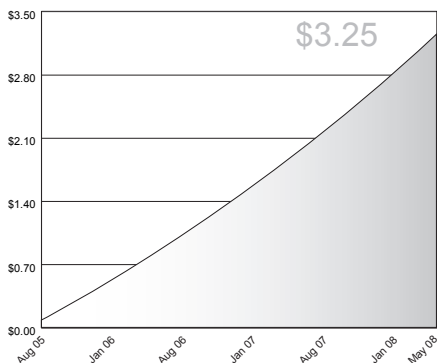
Through this difficult environment, the core holdings in the portfolio have been negatively impacted. The Company met its distribution objectives during the period, but the net asset value per unit declined to \$ 22.33 as at May 31, 2008. As at May 31, 2008, the Company's portfolio remained primarily invested in the 6 core Canadian Bank stocks as per the prospectus. 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 period include 6 distributions at the targeted rate for a total of \$0.5625 per share.

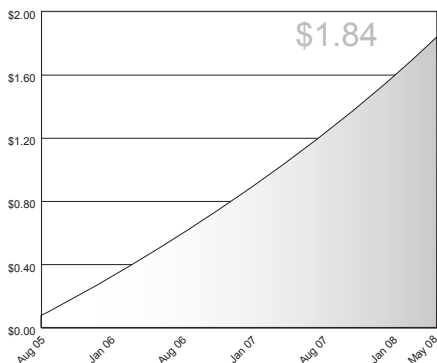
Cumulative Distributions since inception



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 period include 6 distributions at the targeted rate for a total of \$0.60 per share.

Cumulative Distributions since inception



RECENT DEVELOPMENTS

Adoption of new accounting standards:

On December 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3862, "Financial Instruments - Disclosures" of the CICA Handbook - Accounting ("Section 3862") and Section 3863, "Financial Instruments - Presentation" ("Section 3863"). These sections establish standards for the comprehensive disclosure and presentation requirements for financial instruments. The standards include new requirements to quantify certain risk exposures and to provide sensitivity analysis for certain risks (see Note 3 of the semi-annual financial statements).

RELATED PARTY TRANSACTIONS

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 \$1,033,167 paid for the period ended May 31, 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 May 31, 2008

Name	Weighting (%)
Toronto-Dominion Bank	28.0
Canadian Imperial Bank of Commerce	17.1
Bank of Nova Scotia	17.0
Royal Bank of Canada	16.2
Bank of Montreal	11.5
National Bank of Canada	10.1
Total long positions as a percentage of net assets	99.9
Other net assets	0.1
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 semi-annual financial statements and previous annual audited financial statements. For May 31, 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 Asset Value (NAV) per unit

	May 31, 2008	Periods ended November 30		
		2007	2006 ⁽²⁾	2005 ⁽²⁾
Net asset value per unit, beginning of period ⁽¹⁾	25.30	26.43	24.72	23.76 ⁽³⁾
Increase (decrease) from operations				
Total revenue	0.47	0.82	0.75	0.24
Total expenses	(0.14)	(0.35)	(0.48)	(0.12)
Realized gains for the period	0.08	2.00	0.42	0.01
Unrealized gains (losses) for the period	<u>(2.55)</u>	<u>(1.68)</u>	<u>2.81</u>	<u>1.35</u>
Total increase (decrease) from operations ⁽⁴⁾	<u>(2.14)</u>	<u>0.80</u>	<u>3.50</u>	<u>1.48</u>
Distributions ⁽⁵⁾				
Taxable Dividends	(0.78)	(0.82)	(1.28)	(0.48)
Capital Gains	<u>(0.09)</u>	<u>(1.08)</u>	<u>(0.51)</u>	<u>(0.04)</u>
Total annual distributions	<u>(0.87)</u>	<u>(1.90)</u>	<u>(1.79)</u>	<u>(0.52)</u>
Net asset value per unit at end of period	22.33	25.32	26.43	24.72
Net asset value per Preferred share	10.00	10.00	10.00	10.00
Net asset value per Class A share	<u>12.33</u>	<u>15.32</u>	<u>16.43</u>	<u>14.72</u>
Net asset value per unit at end of period	22.33	25.32	26.43	24.72

(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 for the period July 15, 2005 (inception) 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 (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 period.

(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

	┌ Periods ended November 30 ┐			
	May 31, 2008	2007	2006	2005 ⁽¹⁾
Net assets (millions)	\$242.1	\$283.0	\$304.6	\$284.9
Number of units outstanding ⁽²⁾	10,826,150	11,158,200	11,525,000	11,525,000
Base Management expense ratio ⁽³⁾	1.28%	1.31%	1.38%	1.30%
Management expense ratio including one time initial offering expenses ⁽⁴⁾	1.28%	1.31%	1.38%	6.50%
Management expense ratio with performance fee and one time initial offering expenses	1.28%	1.31%	1.92%	6.50%
Portfolio turnover rate ⁽⁵⁾	0.3%	30.80%	15.0%	0.5%
Trading expense ratio ⁽⁶⁾	0.01%	0.06%	0.03%	0.07%
Closing market price (TSX): Preferred shares	\$10.38	\$10.55	\$11.40	\$11.15
Closing market price (TSX): Class A shares	\$11.90	\$12.80	\$14.37	\$14.45

⁽¹⁾ Results for the period July 15, 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. 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⁾ 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

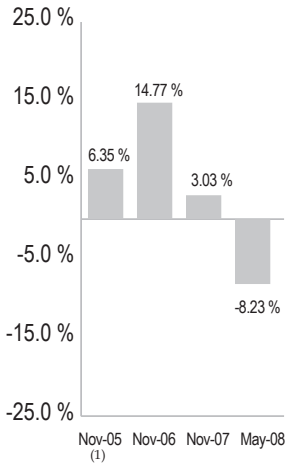
⁽⁶⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net assets during the period.

PAST PERFORMANCE

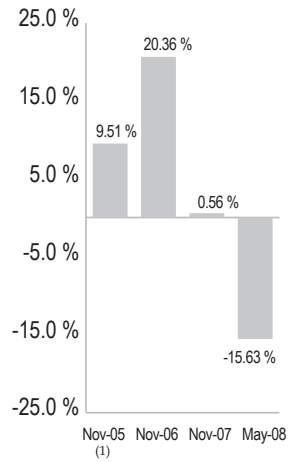
The past performance of 1) the net asset value per unit (1 Preferred share and 1 Class A share); 2) the Preferred share on net asset value basis; and 3) the Class A share on a net asset value basis for the six month period ended May 31 and for each 12 month period ended November 30 since inception are 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.

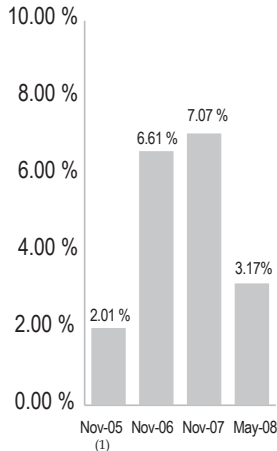
NET ASSET VALUE



CLASS A SHARE



PREFERRED SHARE



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

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 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.

PRIME RATE PLUS CORP.
STATEMENT OF FINANCIAL POSITION

AS AT MAY 31, 2008 AND NOVEMBER 30, 2007 (UNAUDITED)

	May 31, 2008 (\$)	November 30, 2007 (\$)
ASSETS		
Investments - at fair value (note 2)	241,231,886	274,712,838
Cash	2,200,353	9,353,909
Interest, dividends and other receivables	-	1,439
Receivable in respect of investments sold	-	417,435
Total Assets	<u>243,432,239</u>	<u>284,485,621</u>
LIABILITIES		
Fees and other accounts payable	307,243	369,261
Dividends payable	1,409,673	1,801,603
Preferred shares (note 4)	108,261,500	111,582,000
	<u>109,978,416</u>	<u>113,752,864</u>
SHAREHOLDERS' EQUITY		
Class A and Class B shares (note 5)	148,519,323	153,500,073
Retained earnings (deficit)	<u>(15,065,500)</u>	<u>17,232,684</u>
	<u>133,453,823</u>	<u>170,732,757</u>
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>243,432,239</u>	<u>284,485,621</u>

Number of units (1 Preferred share and 1 Class A share) outstanding	10,826,150	11,158,200
Net asset value per unit (GAAP)(note 2)	\$22.33	\$25.30
Net asset value per Preferred share (GAAP)(note 2)	\$10.00	\$10.00
Net asset value per Class A share (GAAP)(note 2)	\$12.33	\$15.30
Net asset value per unit (Transactional NAV)(note 2)	\$22.37	\$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.**STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)**

FOR THE SIX MONTH PERIOD ENDED MAY 31 (UNAUDITED)

	2008 (\$)	2007 (\$)
INCOME		
Dividends	5,124,984	4,505,368
Interest	1,279	25,409
	<u>5,126,263</u>	<u>4,530,777</u>
EXPENSES (note 6)		
Management fees	1,033,167	1,334,464
Service fees	291,348	493,809
Audit fees	9,048	8,500
Directors' fees	11,302	15,125
Custodian fees	20,748	43,795
Legal fees	10,284	10,281
Shareholder reporting costs	17,544	12,684
Other operating expenses	68,451	88,187
Goods and services tax	74,055	91,279
	<u>1,535,947</u>	<u>2,098,124</u>
Net investment income		
before distributions on Preferred shares	3,590,316	2,432,653
Distributions on Preferred shares (note 4 and 7)	(3,402,375)	(3,889,687)
Net investment income (loss) for the period	<u>187,941</u>	<u>(1,457,034)</u>
Realized and unrealized gain (loss)		
on investments and options and transaction costs		
Net realized gain on investments and options	919,801	18,495,764
Change in unrealized appreciation (depreciation) of investments	(27,627,299)	5,538,195
Transaction costs on purchase and sale of investments (note 2)	<u>(23,179)</u>	<u>(125,267)</u>
Net gain (loss) on investments and options for the period	(26,730,677)	23,908,692
Increase (decrease) in net assets from operations for the period	(26,542,736)	22,451,658
Retained earnings - Beginning of period	17,232,684	30,803,302
Transitional adjustment for new accounting policy (note 2)	-	(157,930)
Distributions on Class A shares (note 5 and 7)	(6,097,951)	(6,915,000)
Net allocations on retractions	342,503	-
Retained earnings (deficit) - End of period	<u>(15,065,500)</u>	<u>46,182,030</u>
Increase (decrease) in net assets from operations		
per Class A share	(2.45)	1.95

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

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

FOR THE SIX MONTH PERIOD ENDED MAY 31 (UNAUDITED)

	2008 (\$)	2007 (\$)
Shareholders' equity - Beginning of period	170,732,757	189,349,302
Transitional adjustment on adopting new accounting pronouncement (note 2)	-	(157,930)
Adjusted Shareholders' equity - Beginning of period	<u>170,732,757</u>	<u>189,191,372</u>
Increase (decrease) in net assets from operations for the period	(26,542,736)	22,451,658
Class A share redemptions	(4,638,247)	-
Distributions on Class A shares		
From net income	(187,941)	-
From net realized gains	(919,801)	(6,915,000)
From return of capital	<u>(4,990,209)</u>	<u>-</u>
	(6,097,951)	(6,915,000)
Increase (decrease) in net assets for the period	<u>(37,278,934)</u>	<u>15,536,658</u>
Shareholders' equity - End of period	<u>133,453,823</u>	<u>204,728,030</u>

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

PRIME RATE PLUS CORP.
STATEMENT OF CASH FLOW

FOR THE SIX MONTH PERIOD ENDED MAY 31 (UNAUDITED)

	2008	2007
	(\$)	(\$)
Cash flow from Operating activities		
Net investment income (loss) for the period	187,941	(1,457,034)
Proceeds from sale of investments	6,066,540	99,242,424
Purchase of investments	683,735	(73,333,964)
Net change in receivable balances	418,874	11,680
Net change in payable balances	<u>(453,948)</u>	<u>6,427,008</u>
Cash flow from operations	6,903,142	30,890,114
Cash flow from Shareholder activities		
Distributions on Class A shares	(6,097,951)	(6,915,000)
Amount paid on redemption of Class A shares and Preferred shares	<u>(7,958,747)</u>	<u> </u>
Cash flow from Shareholder activities	(14,056,698)	(6,915,000)
Net increase (decrease) in cash for the period	(7,153,556)	23,975,114
Cash, beginning of period	<u>9,353,909</u>	<u>5,937,376</u>
Cash, end of period	<u>2,200,353</u>	<u>29,912,490</u>

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

PRIME RATE PLUS CORP.
STATEMENT OF PORTFOLIO INVESTMENTS
AS AT MAY 31, 2008

No. of shares	Description	Average Cost (\$) (Premiums received)	Market Value (\$)
Canadian Common Equities			
572,400	Bank of Montreal	35,037,697	27,910,224
829,000	Bank of Nova Scotia	35,898,377	41,176,430
591,200	Canadian Imperial Bank of Commerce	52,101,818	41,265,760
451,000	National Bank of Canada	26,957,792	24,498,320
773,700	Royal Bank of Canada	32,786,347	39,265,275
946,100	Toronto-Dominion Bank	57,777,454	67,712,377
Total Canadian Common Equities in Core Holdings (100.2%)		<u>240,559,485</u>	<u>241,828,386</u>
Call Options written (100 shares per contract)			
No. of contracts Canadian call options written			
(800)	Bank of Montreal, June 2008 @ \$52	(82,400)	(12,000)
(1,000)	Bank of Nova Scotia, June 2008 @ \$50	(73,000)	(85,000)
(300)	Canadian Imperial Bank of Commerce, July 2008 @ \$74	(24,900)	(24,000)
(700)	Canadian Imperial Bank of Commerce, June 2008 @ \$72	(58,100)	(38,500)
(700)	National Bank of Canada, July 2008 @ \$56	(40,600)	(66,500)
(650)	Royal Bank of Canada, June 2008 @ \$50	(52,000)	(100,750)
(450)	Toronto-Dominion Bank, July 2008 @ \$72	(40,500)	(87,750)
(700)	Toronto-Dominion Bank, June 2008 @ \$70	(58,100)	(182,000)
Total Canadian call options written (-0.2%)		<u>(429,600)</u>	<u>(596,500)</u>
less adjustment for transaction costs (note 2)		<u>(72,956)</u>	
Total Investments (100%)		<u>240,056,929</u>	<u>241,231,886</u>

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

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED **MAY 31, 2008 AND 2007 (UNAUDITED)**

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 periods. 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 the Canadian Institute of Chartered Accountants ("CICA") Section 3862, "Financial Instruments - Disclosures" of the CICA Handbook - Accounting ("Section 3862") and Section 3863, "Financial Instruments - Presentation" ("Section 3863"). These sections establish standards for the comprehensive disclosure and presentation requirements for financial instruments. The standards include new requirements to quantify certain risk exposures and to provide sensitivity analysis for certain risks.

Valuation of investments

Investments are categorized as held for trading in accordance with Section 3855. "Financial Instruments - Recognition and Measurement".

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

- Shares or other securities for which market quotations are readily available are valued at the closing bid price.
- Listed options are valued at closing bid prices as reported on recognized exchanges.

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED MAY 31, 2008 AND 2007 (UNAUDITED)

2. Summary of significant accounting policies (continued)

National Instrument 81-106, section 14.2, issued by the Canadian Securities Administrators ("CSA") in 2005, requires the net asset value of an investment fund to be calculated in accordance with Canadian GAAP. The CSA has granted relief to investment funds from complying on a temporary basis with Section 3855, for the purposes of calculating and reporting net asset value (other than for financial reporting purposes) until September 30, 2008, to permit further review of the impact this pronouncement has on the redemption price of an investment fund ("Transactional"). Depending on the outcome of this review, the method by which net asset value is calculated as governed by Section 3855 may result in a change to the Transactional NAV on such date. In accordance with the relief granted by the CSA, a reconciliation of the net asset value calculated in accordance with Section 3855 of an investment fund (GAAP NAV) is required to be disclosed. The Company has applied this change on a retrospective basis. The reconciliation of the Company's Transactional NAV (ie. based on last traded price of portfolio securities) and the GAAP NAV (ie. based on last bid price of portfolio securities) is presented in the following table:

	GAAP NAV	Difference	Transactional NAV
May 31, 2008	\$241,715,323	\$432,565	\$242,147,888

	GAAP NAV per unit	Difference	Transactional NAV per unit
May 31, 2008	\$22.33	\$0.04	\$22.37

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). Prior to December 1, 2006, the Company's policy had been to add these expenses to the costs of securities purchased or deducted from the proceeds of sale. The transaction costs for investments held at May 31, 2008 is shown separately on the Statement of Portfolio Investments. Effective December 1, 2006, the Company adopted the new accounting policy retroactively, without restatement of prior periods. The adoption of the policy does not impact the Transactional NAV or the GAAP NAV.

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED MAY 31, 2008 AND 2007 (UNAUDITED)

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 value of investments.
- 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.

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 periods in which a particular Portfolio company has a covered call option written against that position.

A 1% increase /decrease in the portfolio would currently increase/decrease net assets by \$2,418,284.

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED MAY 31, 2008 AND 2007 (UNAUDITED)

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

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 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.

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED **MAY 31, 2008 AND 2007 (UNAUDITED)**

4. Preferred shares

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

<u>Issued and outstanding</u>	May 31, 2008	May 31, 2007
10,826,150 Preferred shares (2007 - 11,525,000)	<u>\$108,261,500</u>	<u>\$115,250,000</u>

Preferred share transactions

Beginning of period	11,158,200	11,525,000
Redemptions during the period	<u>(332,050)</u>	<u>-</u>
End of period	<u>10,826,150</u>	<u>11,525,000</u>

On July 15, 2005, 11,200,000 Preferred shares were issued at \$10 per share. An additional 325,000 Preferred shares were issued for proceeds of \$3,250,000.

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 3861 of the CICA Handbook.

Preferred shares trade under the symbol "PPL.PRA" on the Toronto Stock Exchange (TSX). Preferred shares trading price on the TSX was \$10.38 as at May 31, 2008 (\$11.32- May 31, 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

<u>Issued and outstanding</u>	May 31, 2008	May 31, 2007
10,826,150 Class A shares (2007- 11,525,000)	\$148,518,323	\$158,545,000
1,000 Class B shares	<u>\$1,000</u>	<u>\$1,000</u>
	<u>\$148,519,323</u>	<u>\$158,546,000</u>

Class A share transactions

Beginning of period	11,158,200	11,525,000
Redemptions during the period	<u>(332,050)</u>	<u>-</u>
End of period	<u>10,826,150</u>	<u>11,525,000</u>

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED MAY 31, 2008 AND 2007 (UNAUDITED)

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.

Class A shares trade under the symbol "PPL" on the Toronto Stock Exchange (TSX). Class A shares trading price on the TSX was \$11.90 as at May 31, 2008 (\$15.37 - May 31, 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 \$1,033,167 (2007- \$1,334,464), incurred during the period, include the administration fee and base management fee. No performance fees were paid in 2008 or 2007.

Total brokerage commission paid during the period by the Company for its portfolio transactions were \$23,179 (2007- \$125,267).

PRIME RATE PLUS CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED **MAY 31, 2008 AND 2007 (UNAUDITED)**

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:

	May 31, 2008	May 31, 2007
Preferred shares	\$0.3125	\$0.3375
Class A shares	\$0.5625	\$0.60

8. 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.

9. Comparative Financial Statements

Certain 2007 comparative figures have been reclassified from statements previously presented to conform to the presentation of the 2008 financial statements.

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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