

**Financial Services
Income STREAMS
Corporation**

July 31

2005

***Semi-Annual Report
unaudited***



QUADRAVEST
CAPITAL MANAGEMENT

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Financial Services Income STREAMS Corporation

Board of Directors

Wayne Finch,
Chairman and
Chief Investment Officer

Peter Cruickshank,
Managing Director and
Chief Financial Officer

Laura Johnson,
Managing Director and
Portfolio Manager

William Thornhill,
Vice Chairman

Michael W. Sharp
Blake, Cassels & Graydon LLP

Corporate Details

Auditors

PricewaterhouseCoopers LLP
77 King Street West, P.O. Box 82
Toronto, Ontario M5K 1G8

Transfer Agent

Computershare
100 University Avenue
Toronto, Ontario M5J 2Y1

Legal Counsel

Blake, Cassels & Graydon LLP
Commerce Court West
Toronto, Ontario M5L 1A9

Custodian

Royal Trust
Royal Trust Tower,
77 King Street West, 11th Floor
Toronto, Ontario M5W 1P9

Quadravest Capital Management Inc.

Board of Directors

Wayne Finch,
Chairman and
Chief Investment Officer

Peter Cruickshank,
Managing Director and
Chief Financial Officer

Laura Johnson,
Managing Director and
Portfolio Manager

William Thornhill,
Vice Chairman



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Message to Shareholders

We are pleased to provide the 2005 semi annual report.

North American markets continued to struggle with the positive prospects of improving corporate earnings versus the negative prospects of increases in inflation and interest rates, which could potentially slow economic growth (for further market commentary, please see page 9).

Equity Dividend shareholders received distributions at the annual target rate of 7% (based on original issue price) during the period and have now received \$8.40 per share since inception.

Capital Yield shareholders did not receive a distribution under the variable distribution program. Any future increase in the Managed Portfolio over \$26 per unit (Managed portfolio per unit was \$23.46 as at July 31, 2005) would allow for the resumption of distributions on the Capital Yield shares.

We would like to express our thanks to shareholders for their continued support.

A handwritten signature in black ink, appearing to read 'Wayne Finch', with a stylized flourish extending to the right.

Wayne Finch,
Chairman and CEO,
Quadravest Capital
Management Inc.

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Investment Objectives

The Corporation's investment objectives are as follows:

Equity Dividend Shares: To provide holders of the Equity Dividend shares with fixed, cumulative monthly cash dividends in the amount of \$0.1458 per Equity Dividend share to yield 7% per annum and on or about February 1, 2011 (the termination date) an amount equal to the original investment amount (\$25 per share).

Capital Yield Shares: To provide holders of Capital Yield Shares with 1) monthly cash dividends targeted to yield a minimum of 10% per annum and 2) and on or about February 1, 2011 (the termination date) an amount equal to the original investment amount (\$25 per share) and a pro rata share of the balance, if any, of the Managed Portfolio after paying the holders of Equity Dividend shares their original investment amount.

The Capital Yield Shares Repayment forward agreement will provide a payment of \$25 per share per Capital Yield share for each Capital Yield share outstanding at the termination date. In connection with the Capital Yield shares Forward contract, approximately 26.5% of the gross proceeds raised by the Corporation were used to acquire a portfolio of securities (the Capital Yield shares repayment forward agreement), which was pledged to Toronto Dominion Global Finance as security under this agreement.

Managed Portfolio

The proceeds of the offering after the cost of acquiring the Capital Yield Shares Repayment forward agreement are invested in a diversified portfolio consisting principally of common shares issued by companies whose shares are included in the TSX Financial Services Index, the Standard & Poor's Financials Index or the Standard & Poor's Midcap Financials Index. This managed portfolio is managed by the Corporation's investment manager, QuadraVest Capital Management Inc. To generate additional returns above the dividend and interest income earned on the Managed portfolio and to provide downside protection to the portfolio, the Corporation will from time to time write covered call options in respect of all or part of the common shares in the Managed portfolio. The Managed portfolio is used to generate distributions for both classes of shares and will be used to the extent available to pay Equity Dividend shareholders a maximum of \$25 at the termination date.



Ten Largest Equity Holdings

July 31, 2005

- | | |
|---------------------------------------|------------------------------|
| 1. CI Fund Management Inc. | 6. Merrill Lynch & Co., Inc. |
| 2. AGF Management Ltd. | 7. Janus Capital Group Inc. |
| 3. Canadian Imperial Bank of Commerce | 8. Toronto-Dominion Bank |
| 4. JP Morgan Chase & Co. | 9. Citigroup Inc. |
| 5. Morgan Stanley | 10. Goldman Sachs Group Inc. |

Note: Holdings are as at July 31, 2005 and may at any time be materially different.

Capital Yield Shares Distributions

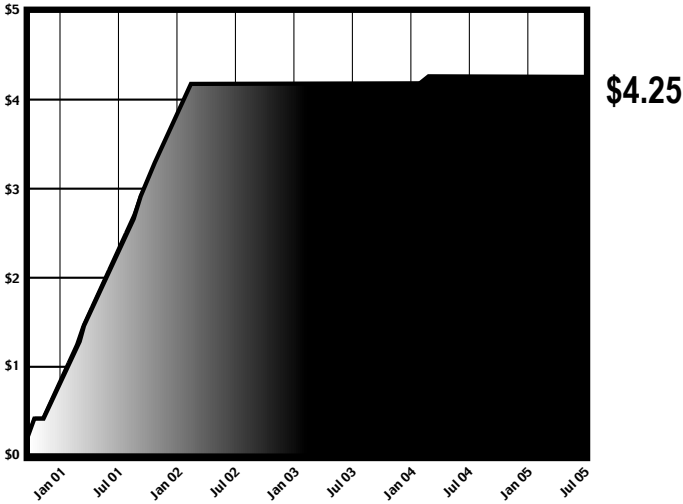
Distributions to holders of Capital Yield shares are targeted at \$0.2083 per month (\$2.50 annually). On July 12, 2002, the Corporation announced a variable distribution program for Capital Yield shares. The variable distribution program as at July 31, 2005 is:

Managed Portfolio per unit Mid month (net of distributions)	Capital Yield Share Annual Payment	Capital Yield Share Monthly Payment
Greater than \$29	\$2.50	\$0.2083
\$28 to \$29	\$2.00	\$0.1667
\$27 to \$28	\$1.50	\$0.1250
\$26 to \$27	\$1.00	\$0.0833
Less than \$26	Nil	Nil

The Managed Portfolio per unit is equal to the assets (exclusive of the value of the Capital Yield Shares repayment forward agreement) divided by the number of units outstanding. A unit consists of one Capital Yield share and one Equity Dividend share. As at July 31, 2005, the managed portfolio was \$23.46 per unit.

There were no distributions made to the Capital Yield shareholders during the six month period. A total of 21 distributions totaling \$4.25 have been paid since inception.

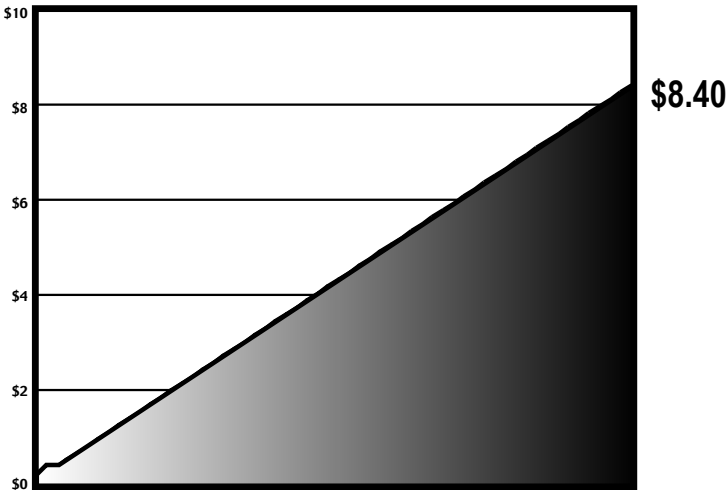
Cumulative Distributions since inception



Equity Dividend Shares Distributions

Shareholders are entitled to receive fixed, cumulative monthly distributions in the amount of \$0.1458 per share (\$1.75 annually). Distributions paid during the six months include 6 regular monthly payments of \$0.1458 per share. A total of 57 distributions totaling \$8.40 have been paid since inception.

Cumulative Distributions since inception



Financial Services Income STREAMS Corporation

Commentary

North American markets continued to struggle with the positive prospects of improving corporate earnings versus the negative prospects of increases in inflation and interest rates, which could potentially slow economic growth. The Federal Reserve in the United States continued to increase interest rates during the first half of the year at a “measured pace” of 0.25% increments. Inflation worries have been triggered in part by increases in commodity prices, most notably oil, which rose to over US\$60 a barrel during 2005. The Federal Reserve is also concerned about an overheated housing sector which has been fueled by interest rates which are still low by historical rates. In Canada, interest rates have been on hold since October 2004 in part because of the concerns for any further appreciation in the Canadian dollar which has had a negative impact on the export sectors, most notably manufacturing. The challenge for North American central banks will be to implement rate increases in amounts and at a pace that will allow for the continuation of this economic growth cycle, which began in the first half of 2003.

The Fund’s portfolio remains broadly diversified within the Canadian and U.S. financial services sector. The increased diversification of most of these financial services companies and their business mix which includes a much higher percentage of fee based businesses should make them much stronger in a rising interest rate market than in past cycles. In addition, fundamental valuations of these companies including price earnings multiples and dividend yields remain much more relatively attractive than many other segments of the market. The continued prospects of merger and acquisition activity should also prove beneficial to the portfolio holdings. The Corporation’s covered call writing program continues to provide meaningful levels of additional income to the portfolio.

Financial Services Income STREAMS Corporation

Statements of Financial Position

As at July 31, 2005 (unaudited) and January 31, 2005 (audited)

	July 31, 2005 (\$)	Jan 31, 2005 (\$)
Assets		
Investments at market value (cost - \$34,916,806; Jan 31, 2005 - \$42,250,589)	37,632,656	39,371,936
Capital Yield Shares repayment forward agreement (cost - 26,634,548; Jan 31, 2005 - \$25,592,302) (note 5a)	33,592,393	33,354,813
Cash	1,307,194	1,199,516
Interest, dividends and other receivables	70,631	21,554
Receivable in respect of investments sold	-	55,909
Total Assets	<u>72,602,874</u>	<u>74,003,728</u>
Liabilities		
Fees and other accounts payable	112,498	124,911
Capital taxes payable	5,108	5,108
Dividends payable	240,226	247,501
Equity Dividend shares (note 3)	41,191,025	42,438,525
	<u>41,548,857</u>	<u>42,816,045</u>
Shareholders' Equity		
Capital Yield share and Class A shares (note 4)	40,179,248	41,040,650
Retained Earnings (deficit)	(9,125,231)	(9,852,967)
	<u>31,054,017</u>	<u>31,187,683</u>
Liabilities & Shareholders' equity	<u>72,602,874</u>	<u>74,003,728</u>

Approved on behalf of the Manager, Quadravest Inc.



S. Wayne Finch,
Director



Peter Cruickshank,
Director

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Statements of Operations and Deficit

For the six months ending July 31, 2005 and 2004 (unaudited)

	2005 (\$)	2004 (\$)
Income		
Dividends (net of foreign withholding taxes of \$30,269; 2004 - \$34,259)	386,029	359,716
Interest	<u>32,628</u>	<u>34,883</u>
	418,657	394,599
Expenses (note 6)		
Management fees	400,863	435,922
Other operating expenses	89,800	58,285
Goods and services tax	<u>34,364</u>	<u>34,595</u>
	525,027	528,802
Net investment income for the year before before distributions on Equity Dividend shares	<u>(106,370)</u>	<u>(134,203)</u>
Distributions on Equity Dividend shares (notes 3 and 8)	(1,477,733)	(1,742,012)
Net investment loss for the period	(1,584,103)	(1,876,215)
Realized and unrealized gain (loss) on investments and options		
Net realized gain (loss) on investments and options (note 7)	556,776	780,033
Change in unrealized appreciation (depreciation) of investments	974,839	(1,960,756)
Change in unrealized appreciation (depreciation) of Capital Yield Shares repayment forward agreement	791,690	(254,678)
Change in unrealized depreciation of foreign exchange	<u>(11,466)</u>	<u>(141,777)</u>
Net gain (loss) on investments and options for the period	2,311,839	(1,577,178)
Increase (decrease) in net assets from operations	727,736	(1,711,381)
Retained earnings (deficit) - Beginning of period	(9,852,967)	(8,385,404)
Retained earnings (deficit) - End of period	<u>(9,125,231)</u>	<u>(11,838,797)</u>



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Income STREAMS Corporation

Statements of Changes in Shareholders Equity

For the six months ending July 31, 2005 and 2004 (unaudited)

	2005 (\$)	2004 (\$)
Increase (decrease) in net assets from operations	727,736	(3,453,393)
Capital Yield share transaction		
Capital Yield share redemptions	(861,402)	(437,736)
Increase (decrease) in net assets for the period	<u>(133,666)</u>	<u>(3,891,129)</u>
Capital Yield shareholders' equity		
- Beginning of period	<u>31,187,683</u>	<u>34,976,155</u>
Capital Yield shareholders' equity		
- End of period	<u>31,054,017</u>	<u>31,085,026</u>

Financial Services Income STREAMS Corporation

Statements of Cash Flow

For the six months ending July 31, 2005 and 2004 (unaudited)

	2005 (\$)	2004 (\$)
Increase (decrease) in net assets from operations	727,736	(3,453,393)
Adjustments to reconcile net cash provided by (used) in operations		
Net realized loss (gain) on investments and options	(536,548)	(621,302)
Net change in unrealized (gain) on investments and Capital Yield share repayment forward	(1,925,821)	2,091,834
Net change in receivable balances	6,832	55,004
Net change in payable balances	(19,688)	(3,592,888)
Purchase of investments	(4,076,225)	(2,249,921)
Proceeds from sale of investments and options and Capital Yield share repayment forward agreement	8,040,294	3,785,802
Cash flow from Shareholder activities		
Amount paid for redemption of shares	(2,108,902)	(1,075,211)
Net increase (decrease) in cash	107,678	(5,060,075)
Cash, beginning of period	1,199,516	6,629,371
Cash, end of period	<u>1,307,194</u>	<u>1,569,296</u>



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Income STREAMS Corporation

Statement of Portfolio Investments

as at July 31, 2005 (unaudited)

Number of shares	Description	Average Cost/ (Premiums received) (\$)	Market Value (\$)
Equities			
Canadian Equities			
125,000	AGF Management Ltd.	1,773,799	2,275,000
20,000	Bank of Montreal	807,198	1,222,000
25,000	Canadian Imperial Bank of Commerce	1,264,821	2,000,250
120,000	CI Fund Management Inc.	1,352,127	2,380,800
10,000	Manulife Financial Corporation	505,873	614,500
15,000	Royal Bank of Canada	947,363	1,161,000
60,000	Sceptre Investment Counsel Ltd	473,564	363,600
20,000	Telus Corporation	366,449	874,000
25,000	Toronto Dominion Bank	1,055,931	1,397,500
	Total Canadian Equities (32.7%)	<u>8,547,125</u>	<u>12,288,650</u>
Foreign Equities			
5,000	Bank of America	264,497	267,258
25,000	Citigroup Inc.	1,617,384	1,333,227
20,000	Fifth Third Bancorporation	1,781,818	1,056,774
10,000	Goldman Sachs Group Inc	1,238,044	1,317,657
45,000	J.P. Morgan Chase & Co.	2,198,577	1,938,604
76,900	Janus Capital Group Inc.	2,526,143	1,416,026
65,000	Knight Trading Group Inc.	1,775,425	629,528
20,000	Merrill Lynch & Co., Inc.	1,451,421	1,441,234
25,000	Morgan Stanley	1,799,077	1,625,924
10,000	Suntrust Banks	1,073,803	891,515
20,000	US Bancorp	726,440	737,045
10,000	Wachovia Corp	610,636	617,637
5,000	Washington Mutual Inc	295,507	260,393
10,000	Wells Fargo Company	766,341	752,001
	Total Foreign Equities (37.9%)	<u>18,125,113</u>	<u>14,284,824</u>
	Total Equities (70.6%)	<u>26,672,237</u>	<u>26,573,474</u>

Number of contracts	Description	Average Cost/ (Premiums received) (\$)	Market Value (\$)
	Call options written (100 shares per contract)		
	Canadian call options written		
(100)	Canadian Imperial Bank of Commerce, September 2005 @ \$80	<u>(8,300)</u>	<u>(16,500)</u>
	Total Canadian call options written	<u>(8,300)</u>	<u>(16,500)</u>
	Foreign call options written		
(100)	Citigroup, August 2005 @ \$47.50	(9,536)	(613)
(200)	J.P. Morgan Chase & Co., September 2005 @ \$37.50	(19,412)	(3,678)
(100)	US Bancorp, August 2005 @ \$30	<u>(3,460)</u>	<u>(5,517)</u>
	Total Foreign call options written	<u>(32,408)</u>	<u>(9,808)</u>
	Total call options written (0.0%)	(40,708)	(26,308)
	Equity Dividend forward agreement (29.4%)	<u>8,285,277</u>	<u>11,085,490</u>
	Total Investments (exclusive of Capital Yield Shares repayment forward agreement) (100%)	<u>34,916,806</u>	<u>37,632,656</u>

**Note: The Statement of Portfolio Investments is at July 31, 2005 and may or may not be indicative of the current portfolio.*



Financial Services Income STREAMS Corporation

Notes to Financial Statements

For the periods ended July, 31 2005 and 2004

1. Incorporation

Financial Services Income STREAMS Corporation (the Company) is a mutual fund corporation established under the laws of the Province of Ontario on June 13, 2000 and which began operations on October 11, 2000. The manager of the Company is Quadravest Inc. (the Manager) and the investment manager is Quadravest Capital Management Inc. (Quadravest). All shares outstanding on February 1, 2011, 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, 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.

Valuation of investments

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 sale price or, if there is no sale price, the average of the closing bid and ask prices. Shares or other securities for which market quotations are not readily available are valued at fair market values as determined by the Manager.
- Listed options are valued at market values as reported on recognized exchanges. Over the counter options are valued using an appropriate valuation model.
- Capital yield shares repayment forward agreements and equity dividend forward agreements are valued by discounting the forward notional amounts of the agreements by the rate factors reflective of the maturity date of the forward agreements, the termination date of the Company. Forward fees paid in connection with these agreements have been capitalized.

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 statement of financial position. Realized capital gains or losses are recognized in the statement 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 in shareholders' equity.
- 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.

Financial Services Income STREAMS Corporation

Notes to Financial Statements

For the periods ended July, 31 2005 and 2004

3. Equity Dividend shares

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

Issued and outstanding	July 31, 2005(\$)	July 31, 2004(\$)
1,647,641 (2004-1,807,991) Equity Dividend shares	<u>41,191,025</u>	<u>45,837,250</u>

Equity Dividend shares were issued at \$25 per share. Equity Dividend shares are entitled to fixed, cumulative monthly cash dividends of \$0.1458 per Equity Dividend share. All Equity Dividend shares outstanding on February 1, 2011 will be redeemed by the Company on that date. For accounting purposes, the Equity Dividend shares have been presented as liabilities in the financial statements in accordance with Section 3860 of the CICA Handbook.

Equity Dividend shares trade under the symbol "STR.E" on the Toronto Stock Exchange (TSX). Equity Dividend shares trading price on the TSX was \$23.70 as at July 31, 2005 (July 31, 2004-\$22.35). Equity Dividend 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 an Equity Dividend share and a Capital Yield share (together, a "unit") in the month of September will be entitled to receive an amount equal to the net asset value per unit on the last day of September. Equity Dividend shares retracted in any other month will receive a retraction price based on a specified discounted retraction formula. The net asset value per unit as of July 31, 2005 was \$43.85 (July 31, 2004-\$42.19). 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 Equity Dividend shares or Capital Yield shares tendered for retraction.

The Equity Dividend shares rank in priority to the Capital Yield shares and the Capital Yield shares rank in priority to the Class A shares with respect to the payment of dividends. The Equity Dividend shares rank in a priority to the Capital Yield shares with respect to any payments made upon termination from proceeds of the Assets of the Corporation excluding the Capital Yield shares repayment forward contract. This amount is also referred to as the Managed Portfolio. At the termination date, the Managed Portfolio will be used to the extent available, to pay Equity Dividend shareholders a maximum of \$25 per share. The Managed Portfolio as at July 31, 2005 is \$23.46 per unit (July 31, 2004-\$23.87).

4. Capital Yield shares and Class A shares

Authorized

An unlimited number of Capital Yield shares

1,000 Class A shares

Issued and outstanding	2005(\$)	2004(\$)
1,647,641 (2004-1,807,991) Capital Yield shares	40,178,248	42,923,823
1,000 Class A shares	1,000	1,000
	<u>40,179,248</u>	<u>42,924,823</u>



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Notes to Financial Statements

For the periods ended July, 31 2005 and 2004

Capital Yield shares were issued at \$25 per share. Capital Yield share distributions are targeted at \$0.2083 per month. All Capital Yield shares outstanding on February 1, 2011 will be redeemed by the Company on that date.

Capital Yield shares trade under the symbol "STR" on the Toronto Stock Exchange (TSX). Capital Yield shares trading price on the TSX was \$20.09 as at July 31, 2005 (July 31, 2004 - \$18.60). Capital Yield 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 Capital Yield share and an Equity Dividend share (together, a "unit") in the month of September in each year will be entitled to receive an amount equal to the net asset value per unit on the last day of September. Capital Yield shares retracted in any other month will receive a retraction price based on a specified discounted retraction formula. The net asset value per unit as of July 31, 2005 was \$43.85 (July 31, 2004-\$42.19). 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 Equity Dividend shares or Capital Yield shares tendered for retraction.

The Equity Dividend shares rank in priority to the Capital Yield shares and the Capital Yield shares rank in priority to the Class A share with respect to the payment of dividends. At the termination date, the Capital Yield shares will receive the original investment amount (\$25) for each Capital Yield share then outstanding by way of the Capital Yield Share Repayment forward agreement. Upon termination, Capital Yield Shareholders will also receive any residual balance remaining in the Managed Portfolio, after repayment of the Equity Dividend shares.

On July 12, 2002, the Board of Directors announced a variable distribution program for Capital Yield shares which was designed to address the effects of the very difficult market conditions existing at that time. The Capital Yield share variable distribution program, effective July 31, 2005 was:

Managed Portfolio per unit Mid month (net of distributions)	Capital Yield Share Annual Payment	Capital Yield Share Monthly Payment
Greater than \$29	\$2.50	\$0.2083
\$28 to \$29	\$2.00	\$0.1667
\$27 to \$28	\$1.50	\$0.1250
\$26 to \$27	\$1.00	\$0.0833
Less than \$26	Nil	Nil

The Managed Portfolio per unit as at July 31, 2005 was \$23.46 (July 31, 2004 -\$23.87).

The holders of Class A shares are not entitled to receive dividends. The Class A shares are retractable at a price of \$1.00 per share. Class A shareholders are entitled to one vote per share.

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Notes to Financial Statements

For the periods ended July, 31 2005 and 2004

5. Forward Contracts

a) Capital Yield Shares Repayment Forward Agreement

The Company entered into a forward purchase and sale agreement with TD Global Finance (a subsidiary of The Toronto-Dominion Bank) in which the Counterparty will agree to pay to the Company on the Termination date (February 1, 2011) the original investment amount (\$25 per Capital Yield share) for each Capital Yield share outstanding on the Termination date in exchange for the delivery of certain securities which have been purchased by the Company. The obligations of TD Global Finance pursuant to the Capital Yield Shares Repayment Forward agreement are guaranteed by The Toronto-Dominion Bank.

The name of the securities and the number of shares of each security which have been purchased and pledged to the counterparty within the Capital Yield Shares repayment forward agreement as at July 31, 2005 are as follows: ATI Technologies - 238,884; Bioval - 83,600; JDS Uniphase - 7,972; Nortel Networks - 862,885; Precision Drilling - 173,673; Research in Motion 38,400; Royal Group - 193,173. Such securities are not included in the Company's statement of portfolio investments. The market value of these securities pledged is \$22,755,000 as at July 31, 2005 (July 31, 2004 - \$21,313,272).

The Capital Yield Shares Repayment Forward agreement may be physically or cash settled at the option of the Company. In order to permit the Company to fund periodic redemptions of shares, the forward agreement may be settled in whole or in part in respect of any valuation date by the Company tendering to the Counterparty the pledged securities. During the period ended July 31, 2005, the Company capitalized forward fees in the amount of \$138,934 (July 31, 2004 - \$131,567) related to the Capital Yield Shares Repayment Forward agreement. Fees are accrued and payable every quarter at a yearly rate of approximately \$294,000.

b) Equity Dividend Shares Forward Agreement

As part of the current Managed portfolio, the Company has entered into a forward purchase and sale agreement with TD Global Finance (a subsidiary of The Toronto-Dominion Bank) pursuant to which the Counterparty will agree to pay to the Company on the termination date (February 1, 2011) a portion (2005-\$8.25) of the original investment amount for each Equity Dividend share outstanding on the termination date. The obligations of TD Global Finance pursuant to this Equity Dividend Shares Forward agreement are guaranteed by The Toronto-Dominion Bank. The combination of the funds available from the Equity Dividend Shares Forward agreement and the remaining Assets of the Company, exclusive of the Capital Yield shares repayment forward agreement, to the extent available, will be used to pay the Equity Dividend shareholders, a maximum of \$25 per share, upon the termination date.

The name of the securities and the number of shares of each security which have been pledged to the counterparty with the Equity Dividend Shares forward agreement as at July 31, 2005 are as follows: ATI Technologies - 38,658; Bioval - 43,600; Nortel Networks - 22,851; Precision Drilling - 54,207; Research in Motion - 3,000; Royal Group Inc. - 57,100; Zarlink - 153,864. The market value of these securities pledged is \$5,513,461 at July 31, 2005 (July 31, 2004-\$6,417,260).

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Notes to Financial Statements

For the periods ended July, 31 2005 and 2004

The Equity Dividend Shares Forward agreement may be physically or cash settled at the option of the Company. In order to permit the Company to fund periodic redemptions of shares, the forward agreement may be settled in whole or in part in respect of any valuation date by the Company tendering to the Counterparty the pledged securities.

During the period ended July 31, 2005, the Company capitalized forward fees in the amount of \$37,405 (July 31, 2004 - \$48,839) related to the Equity Dividend Shares Forward agreement. Fees are accrued and payable every quarter at a yearly rate of approximately \$96,000.

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 0.10% of the net assets of the Fund calculated as at each monthly valuation date.

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 1.0% of the net assets of the Fund calculated as at each monthly valuation date. In addition, Quadravest may be entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds. No performance fee was paid for the periods ending July 31, 2005 or 2004. Total management fees of \$400,863 (2004-\$435,922) incurred in fiscal 2005 include the administration fee and base management fee.

The management expense ratio is calculated as being the total expenses incurred by the Company, including GST and the forward fees, as a percentage of the weighted average of shareholders' equity and the Equity Dividend shares of the Company, and is expressed on an annualized basis. The management expense ratio for the Company was 1.92% of average net assets for the period ended July 31, 2005 (2004-1.79% annualized).

7. Net realized gain (loss) on investments and option

The net realized gain (loss) on sale of investments and options for the six months ending July 31, 2005 was as follows:

	July 31, 2005	July 31, 2004
	(\$)	(\$)
Proceeds on sale of investments and options	7,028,870	3,321,871
Less cost of investments sold:		
Investments at average cost - Beginning of year	37,630,926	42,250,589
Cost of investments purchased	4,076,225	2,249,921
Investments at average cost - End of year	<u>(34,916,800)</u>	<u>(41,660,787)</u>
Investments sold during the year	6,790,345	2,839,723
	238,525	482,148
Net realized gain (loss) on foreign exchange	20,228	158,731
Net realized gain on Capital Yield share repayment forward agreement	298,023	139,154
Net realized gain (loss) on investments and options	<u>556,776</u>	<u>780,033</u>

Financial Services Income STREAMS Corporation

Notes to Financial Statements

For the periods ended July, 31 2005 and 2004

8. Distributions

The Company's investment objectives are to provide steady monthly dividends to both the Capital Yield and Equity Dividend shareholders while returning the original issue price to each shareholder on the termination date of the Company on February 1, 2011.

Distributions per share for the six month periods were as follows:

	2005 (\$)	2004 (\$)
Equity Dividend shares	0.875	0.875
Capital Yield shares	-	0.0833

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.

10. Financial instruments and risk management

The fair values of the Company's assets and liabilities are affected by changes in interest rates and equity markets. The Company manages these risks through the use of various risk limits and trading strategies.

11. Statement of portfolio transactions

Additional unaudited information concerning the portfolio transactions for the Company for the six month period ended July 31, 2005 can be obtained without charge by writing to Quadravest Inc. at 77 King Street West, P.O. Box 341, Toronto, Ontario M5K 1K7.



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. 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 Quadravest.

Quadravest's investment strategy combines equity investments with covered call writing. Quadravest has completed initial public offerings for fourteen products in excess of \$2 billion.



QUADRAVEST
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