

*Financial Statements of*

**MACCS SUSTAINABLE YIELD TRUST**

*Audited*

*For the year ended December 31, 2007*

## AUDITORS' REPORT

To the Unitholders of  
**MACCs Sustainable Yield Trust**

We have audited the statements of net assets of **MACCs Sustainable Yield Trust** [the "Trust"] as at December 31, 2007 and 2006, the statement of investments as at December 31, 2007 and the statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit 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 net assets of the Trust as at December 31, 2007 and 2006, the statement of investments as at December 31, 2007 and the results of its operations, changes in its net assets and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
March 24, 2008

*Ernst & Young LLP*

Chartered Accountants  
Licensed Public Accountants

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**Statements of Net Assets**

<b>As at December 31</b>	<b>2007</b>	<b>2006</b>
	\$	\$
<b>Assets</b> (note 7)		
Investments, at fair value (note 3)	<b>10,740,868</b>	25,462,566
Cash	<b>59,998</b>	46,900
Interest, dividends and distributions receivable	<b>133,081</b>	237,839
<b>Total assets</b>	<b>10,933,947</b>	25,747,305
<b>Liabilities</b>		
Management and dealers' service fees payable (note 5)	<b>11,516</b>	33,517
Due to brokers	-	159,300
Accounts payable and accrued liabilities	<b>74,028</b>	146,930
Loan facility payable (note 7)	<b>1,200,000</b>	3,188,789
Distributions payable	<b>65,427</b>	139,602
<b>Total liabilities</b>	<b>1,350,971</b>	3,668,138
<b>Net assets</b>	<b>9,582,976</b>	22,079,167
<b>Number of units outstanding</b> (note 6)	<b>1,176,746</b>	2,507,469
<b>Net assets per unit</b> (note 10)	<b>\$8.14</b>	\$8.81

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

**Approved on behalf of the Trust by its Manager, MACCs Administrator Inc.**

Wayne Pushka  
**Director**

Terry Jackson  
**Director**

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**Statements of Operations**

<b>For the years ended December 31</b>	<b>2007</b>	<b>2006</b>
	\$	\$
<b>Revenue</b>		
Interest	1,278,486	1,892,643
Dividends	80,728	160,699
	<b>1,359,214</b>	<b>2,053,342</b>
<b>Expenses</b>		
Management fees (note 5)	86,586	136,703
Dealers' service fees (note 5)	57,249	89,860
Legal fees	73,030	264,974
Interest and bank charges (note 7)	103,022	223,615
Administration fees	63,744	98,487
Audit fees	85,301	76,925
Securityholder reporting costs	36,347	49,589
Advisory board fees	40,468	39,960
Transfer agency fees	9,089	29,367
Custodial fees	879	10,558
Other	2,173	23,618
	<b>557,888</b>	<b>1,043,656</b>
<b>Net investment income</b>	<b>801,326</b>	<b>1,009,686</b>
<b>Realized and unrealized gain (loss) on investments and transaction costs</b>		
Net realized gain on investments	343,000	913,586
Transaction costs (note 3)	(81,483)	-
Change in unrealized appreciation (depreciation) on investments	600,870	(2,381,275)
<b>Net realized and unrealized gain (loss) on investments and transaction costs</b>	<b>862,387</b>	<b>(1,467,689)</b>
<b>Increase (decrease) in net assets from operations</b>	<b>1,663,713</b>	<b>(458,003)</b>
<b>Increase (decrease) in net assets from operations per unit</b>	<b>\$0.84</b>	<b>(\$0.15)</b>

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

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**Statements of Changes in Net Assets**

<b>For the years ended December 31</b>	<b>2007</b>	<b>2006</b>
	\$	\$
<b>Increase (decrease) in net assets from operations</b>	<b>1,663,713</b>	<b>(458,003)</b>
<b>Distributions to unitholders:</b>		
From capital gains	(333,490)	(958,147)
From dividends	(81,770)	(160,698)
From income (excluding dividends)	(303,303)	(391,926)
Return of capital	(613,777)	(534,699)
	<b>(1,332,340)</b>	<b>(2,045,470)</b>
<b>Capital unit transactions (note 6)</b>		
Proceeds from issuance of units	1,338,528	4,337,694
Purchase and redemption of units	(14,110,845)	(13,697,184)
	<b>(12,772,317)</b>	<b>(9,359,490)</b>
<b>Net decrease in net assets during the year</b>	<b>(12,440,944)</b>	<b>(11,862,963)</b>
<b>Net assets, beginning of year (note 3)</b>	<b>22,023,920</b>	<b>33,942,130</b>
<b>Net assets, end of year</b>	<b>9,582,976</b>	<b>22,079,167</b>

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

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**Statements of Cash Flows**

<b>For the years ended December 31</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets from operations	<b>1,663,713</b>	(458,003)
Add (deduct) items not affecting cash:		
Net realized gain on investments	<b>(343,000)</b>	(913,586)
Change in unrealized appreciation (depreciation) on investments	<b>(600,870)</b>	2,381,275
	<b>719,843</b>	1,009,686
Net change in non-cash working capital balances related to operations	<b>(149,444)</b>	368,759
<b>Cash provided by operating activities</b>	<b>570,399</b>	1,378,445
<b>FINANCING ACTIVITIES</b>		
Repayment of loan facility	<b>(1,988,789)</b>	(1,711,453)
Distributions paid to unitholders	<b>(1,406,515)</b>	(2,148,718)
Net proceeds from issuance of units on exercise of warrants	<b>1,338,528</b>	4,337,694
Purchase and redemption of units	<b>(14,110,845)</b>	(13,697,184)
<b>Cash used in financing activities</b>	<b>(16,167,621)</b>	(13,219,661)
<b>INVESTING ACTIVITIES</b>		
Proceeds on sale of investments	<b>57,744,492</b>	40,157,981
Purchase of investments	<b>(42,134,172)</b>	(28,316,370)
<b>Cash provided by investing activities</b>	<b>15,610,320</b>	11,841,611
<b>Net increase in cash during the year</b>	<b>13,098</b>	395
Cash, beginning of year	<b>46,900</b>	46,505
<b>Cash, end of the year</b>	<b>59,998</b>	46,900

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

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**Statement of Investments**

As at December 31, 2007

Number of Units/ Par Value	Description	Yield (%)	Maturity Date	Adjusted Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Short-Term Investments</b>						
365,000	Canada Treasury Bills	3.80%	20-Mar-08	<b>361,842</b>	<b>361,971</b>	<b>3.8</b>
<b>Power and Pipeline Funds</b>						
13,700	AltaGas Income Trust			371,559	360,310	
36,100	Atlantic Power Corporation			389,036	386,270	
18,500	EPCOR Power LP			470,935	430,310	
35,500	Fort Chicago Energy Partners LP			379,104	384,465	
21,900	GAZ Metro LP			346,580	355,656	
23,000	Great Lakes Hydro Income Fund			419,805	460,230	
78,700	Inter Pipeline Fund			729,131	746,076	
19,000	Keyera Facilities Income Fund			286,087	375,630	
43,900	Macquarie Power & Infrastructure Income Fund			429,486	413,977	
31,900	Northland Power Income Fund			409,382	389,499	
23,100	Pembina Pipeline Income Fund			310,804	404,019	
				<b>4,541,909</b>	<b>4,706,442</b>	<b>49.1</b>
<b>Business Funds</b>						
20,100	Arctic Glacier Income Fund			248,280	230,145	
12,452	Bell Aliant Regional Communications Income Fund			394,284	366,462	
16,800	CML Healthcare Income Fund			230,370	287,952	
27,700	Consumers' Waterheater Income Fund			421,663	407,190	
8,200	Fording Canadian Coal Trust			303,150	314,716	
19,500	Noranda Income Fund, Class A			203,180	187,980	
29,600	Royal Utilities Income Fund			326,969	313,464	
24,600	Superior Plus Income Fund			290,391	285,114	
25,600	Teranet Income Fund			250,532	260,352	
22,300	Timberwest Forest Corp.			348,346	327,364	
27,600	Yellow Pages Income Fund			365,878	383,364	
				<b>3,383,043</b>	<b>3,364,103</b>	<b>35.1</b>
<b>Real Estate Investment Trusts</b>						
7,400	Calloway Real Estate Investment Trust			174,308	179,302	
10,800	Canadian Apartment Properties Real Estate Investment Tr			161,178	172,584	
8,700	Cominar Real Estate Investment Trust			177,433	176,958	
8,400	H&R Real Estate Investment Trust			160,093	166,236	
13,000	Morguard Real Estate Investment Trust			168,320	167,700	
8,700	Primaris Retail Real Estate Investment Trust			99,755	158,253	
				<b>941,087</b>	<b>1,021,033</b>	<b>10.7</b>
<b>Oil and Gas Funds</b>						
13,600	Bonavista Energy Trust			421,671	385,968	
26,000	Canetic Resources Trust			521,318	346,060	
7,700	Enerplus Resources Fund			379,589	306,152	
12,100	Harvest Energy Trust			254,536	249,139	
				<b>1,577,114</b>	<b>1,287,319</b>	<b>13.4</b>
<b>Transaction costs (Note 3)</b>				<b>(3,613)</b>		
<b>TOTAL INVESTMENTS</b>				<b>10,801,382</b>	<b>10,740,868</b>	<b>112.1</b>
<b>Other assets, net of liabilities</b>					<b>(1,157,892)</b>	<b>(12.1)</b>
<b>NET ASSETS (Note 10)</b>					<b>9,582,976</b>	<b>100.0</b>

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

# MACCs Sustainable Yield Trust

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### Notes to Financial Statements

December 31, 2007

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#### 1. THE TRUST

MACCs Sustainable Yield Trust (the “Trust”) is a closed-end investment trust established under the laws of the Province of Ontario by a Declaration of Trust dated January 28, 2005 (Date of Inception). The Trust commenced operations on February 18, 2005.

The Manager of the Trust is MACCs Administrator Inc. (the “Manager”) (see note 11).

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies followed by the Trust in the preparation of its financial statements:

##### *(a) Valuation of investments*

Short-term investments are valued at the bid price obtained from recognized securities dealers.

Investments in publicly traded securities are valued at quoted bid prices. Investments for which no such information is readily available or determined to be unreliable by the Manager are valued at an amount that is fair and reasonable in the relevant circumstances.

The difference between fair value and average cost, excluding transaction costs, is shown as unrealized appreciation (depreciation) on investments.

##### *(b) Investment transactions and revenue recognition*

All investment transactions are accounted for on a trade date basis. Realized gains and losses from investment transactions and unrealized appreciation or depreciation in the value of investments are calculated on an average cost basis, excluding transaction costs.

Interest income and expenses are recognized daily on an accrual basis.

Dividend and distribution income are recognized on the ex-dividend or ex-distribution date.

Distributions from income trusts which are treated as return of capital for income tax purposes reduce the average cost of the investments on the Statement of Investments.

Distributions from income trusts which are treated as dividend income, interest income, or capital gains for tax purposes are included as dividend income, interest income, or capital gains distributed from income trusts, as appropriate, in the Statements of Operations.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(c) Use of estimates*

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

*(d) Net assets per unit*

The net assets per unit is computed by dividing the net assets of the Trust by the total number of units outstanding on the valuation date. The increase (decrease) in net assets from operations per unit for the year is based on the average number of units outstanding during the year.

*(e) Measurement uncertainty*

Allocations of distributions received from income trusts among dividends, interest and other income, capital gains, or return of capital are based on estimates of the categorization of distribution provided by those income trusts. These allocations and the adjusted cost of the related investment may change once final categorizations of the distributions are received from the respective income trusts.

**3. ADOPTION OF NEW ACCOUNTING STANDARDS**

On April 1, 2005, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3855, “Financial Instruments – Recognition and Measurement” of the CICA Handbook – Accounting, which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 3855 applies to fiscal years beginning on or after October 1, 2006. Additionally, Section 14.2 of National Instrument 81-106 (“NI 81-106”), issued by the Canadian Securities Administrators (“CSA”) in 2005, requires the daily net asset value of an investment fund to be calculated in accordance with Canadian GAAP. The adoption of Section 3855 would result in the use of different valuation techniques for certain investments.

The CSA has granted relief to investment funds from complying on an interim basis with Section 3855, for the purposes of calculating and reporting of net asset value on each valuation date (the “Transactional NAV”) until the earlier of September 30, 2008 or the date on which the proposed amendments to NI 81-106 issued by the CSA on June 1, 2007 come into effect. Accordingly, the Trust applies the requirements of Section 3855 for financial reporting purposes only.

In accordance with the decision made by the CSA, a reconciliation between the Transactional NAV and the net asset value calculated in accordance with Section 3855 (the “GAAP NAV”) of an investment fund is required in the notes to the financial statements for financial reporting. Refer to note 10 for such reconciliation for the year ended December 31, 2007.

In accordance with its transitional provisions, Section 3855 has been adopted, effective January 1, 2007, retroactively without restatement of prior periods.

Section 3855 prescribes specific guidance for establishing fair values under GAAP, including the use of bid prices for long positions and ask prices for short positions for investments quoted in active markets. Where active markets do not exist, fair values are established using a fair valuation technique. Prior to the adoption of Section 3855, fair values were based on last traded or closing prices or based on management's

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**3. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)**

best estimate where market quotations were not reliable or available. Accordingly, the opening net assets in the Statements of Changes in Net Assets have been adjusted by \$55,247 to reflect the use of bid pricing.

Section 3855 also requires that transaction costs incurred on portfolio transactions be recognized immediately in net income and presented as a separate expense item in the financial statements. Prior to the adoption of Section 3855, transaction costs were included in the average cost of investments or as a reduction in the proceeds on the sale of investments. Transaction costs were recognized immediately in net assets and results of operations, but were not presented as a separate line item. There was no impact to the net assets or results of operations as a result of this change in accounting policy.

**4. TAXATION**

The Trust qualifies as a “mutual fund trust” within the meaning of the Income Tax Act (Canada). The Trust is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the year, including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or made payable to unitholders in the year.

No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized capital gains are distributed to the unitholders.

**5. EXPENSES OF THE TRUST**

*(a) Management fees*

The Trust is party to a trust agreement (the “Trust Agreement”) dated January 28, 2005 with the Manager pursuant to which the Manager provides all administrative services required by the Trust. The Investment Manager provides investment advisory and portfolio management services to the Trust.

Pursuant to the Trust Agreement the Manager receives a monthly fee at the annual rate of 0.45% of the transactional net asset value of the Trust, calculated and payable monthly in arrears, plus applicable taxes. The Manager is responsible for payment of the investment management fees of the Investment Manager from its annual management fees.

*(b) Other expenses*

The Trust is responsible for all other expenses incurred in connection with its operation and administration, such as custody, valuation, transfer agent, reporting, audit and legal fees. The Trust will pay to the Manager, to pay to registered dealers, an annual service fee equal to 0.30% annually of the net asset value of units held by clients of the sales representatives of such dealers, payable quarterly in arrears.

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**6. UNITHOLDERS' EQUITY**

The Trust is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Trust. On termination or liquidation of the Trust, unitholders of record will be entitled to receive their pro rata share of all of the assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses.

On February 18, 2005, the Trust completed an initial public offering of 3,250,000 units at \$10 per unit for total gross cash proceeds of \$32,500,000. On March 3, 2005, an over-allotment option granted to agents was exercised for 280,000 units at \$10 per unit for total gross cash proceeds of \$2,800,000. Total issue costs were \$2,382,750. The Trust's units are listed on the Toronto Stock Exchange under the symbol MYT.UN.

Units may be surrendered for redemption on an annual basis 15 business days prior to the second last business day of July in any year, commencing July 2006. Unitholders will receive a redemption price per unit equal to 100% of the net asset value per unit of the Trust determined as of the redemption date less any costs of funding such redemption.

The Trust has a mandatory market purchase program pursuant to which it is obligated to purchase for cancellation any units offered in the market if the closing price at which units are then offered for sale is less than 95% of the net asset value per unit. The maximum number of units so purchased in any three-month period shall be limited to 1.25% of the units outstanding at the beginning of such period. From January 1, 2007 to December 31, 2007, the Trust purchased 14,500 units (2006-51,300 units) for an aggregate cost of \$124,789 (2006-\$457,209) at an average cost of \$8.61 per unit (2006 - \$8.91 per unit).

On August 24, 2006, the Trust filed a final prospectus relating to a warrant offering of units available to all unitholders. One warrant was issued for each unit of the Trust held on September 8, 2006, the record date. Each warrant entitled the holder thereof to purchase one unit of the Trust at an exercise price of \$8.64 on or before February 15, 2007, the expiry date. As at December 31, 2006, 502,048 warrants had been exercised for aggregate proceeds of \$4,337,694. During the period from January 1, 2007 to February 15, 2007, 120,200 warrants were exercised for aggregate proceeds of \$1,038,528.

On August 10, 2007, the Trust filed a final prospectus relating to a warrant offering of units available to all unitholders. One warrant was issued for each unit of the Trust held on August 27, 2007. Each warrant entitled the holder thereof to purchase one unit of the Trust at an exercised price of \$8.00 on or before December 13, 2007. During 2007, 37,500 warrants were exercised for aggregate proceeds of \$300,000.

A summary of the units issued, purchased and redeemed during the periods ended December 31, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Units outstanding, beginning of period	2,507,469	3,349,800
Units issued on exercise of warrants	157,700	502,048
Units purchased or redeemed	(1,488,423)	(1,434,379)
Units outstanding, end of period	<u>1,176,746</u>	<u>2,507,469</u>

**7. LOAN FACILITY**

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Pursuant to an agreement with a Canadian chartered bank, the Trust maintains a 364-day renewable revolving loan facility for a maximum amount calculated with reference to total assets and certain collateral; as at December 31, 2007 the permitted maximum was \$2,700,000. The loan facility is collateralized by a first-ranking pledge and security agreement over all present and future assets of the Trust. The Trust has the option of borrowing at the prime rate of interest (December 31, 2007 – 6%) or at the bankers’ acceptance rate plus a fixed percentage. The loan facility is used by the Trust for the purchase of additional investments and for general Trust purposes. The minimum and maximum amount borrowed was \$1,200,000 and \$5,433,505, respectively, during the year ended December 31, 2007.

**8. BROKER COMMISSIONS AND SOFT DOLLAR CONTRACTS**

Soft dollar contracts are arrangements under which products or services other than execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the direction by the adviser of client broker transactions to the broker-dealer. Commissions paid or payable to investment dealers and brokers in connection with portfolio transactions during 2007 were \$81,483 (2006 – \$111,066). Included in the amount are soft dollar commissions of \$3,048 (2006-\$6,648).

**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Trust’s investment activities expose it to various types of risk associated with the financial instruments in which it invests directly. In addition to the risks of investing in the income trust market generally, the Trust is also subject to other risks, including interest rate risk (as the Trust invests in interest-bearing securities), liquidity risk and credit risk. The income of the Trust may be affected by changes to interest rates relevant to particular securities or as a result of the Trust being unable to secure similar returns on the sale of securities.

**10. RECONCILIATION OF TRANSACTIONAL NAV AND GAAP NAV**

In accordance with the decision made by the CSA, a reconciliation between the Transactional NAV and the GAAP NAV of an investment fund is required (see note 3).

The reconciliation of the net asset value of the Trust is as follows:

	Net Asset Value			Net Asset Value Per Unit	
	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	GAAP NAV
<b>As at December 31, 2007</b>	\$ 9,628,124	\$ (45,148)	\$ 9,582,976	\$ 8.18	\$ 8.14

**11. SUBSEQUENT EVENTS**

On February 1, 2008, 2161480 Ontario Inc. replaced MACCs Administrator Inc. as the Manager and Trustee of the Trust. 2161480 Ontario Inc. was purchased by Crown Hill Capital Corporation (“Crown Hill”) and was subsequently amalgamated with Crown Hill. Crown Hill is now the Manager and Trustee of the Trust.