



BND.UN \$ 75,000,000

Financial Statements of

CROWN HILL DIVIDEND FUND

Audited

For the year ended December 31, 2007

PBK.UN \$ 26,934,730 BND.UN

26,934,730 BND.UN \$ 75,000,000

TABLE OF CONTENTS

1	Auditors' Report
2	Statement of Net Assets
3	Statement of Operations
4	Statement of Changes in Net Assets
5	Statement of Cash Flow
6	Statement of Investment Portfolio
7	Notes to the Financial Statements

March 25, 2008

Auditors' Report

To the Unitholders of Crown Hill Dividend Fund

We have audited the statement of investment portfolio of **Crown Hill Dividend Fund** (the Fund) as at December 31, 2007, the statements of net assets as at December 31, 2007 and 2006 and the statements of operations, changes in net assets and cash flow for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and 2006 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Financial Statements

STATEMENT OF NET ASSETS

As at December 31,	2007	2006
ASSETS		
Investments at market value (Note 4) (Cost 2007: \$7,456,892; 2006: \$13,159,623)	\$ 8,558,748	\$ 15,543,567
Cash and short-term investments	247,061	503,642
Dividend and interest receivable	26,798	46,975
	8,832,607	16,094,184
LIABILITIES		
Accrued liabilities	65,360	89,703
Distributions payable (Note 2)	56,078	93,897
	121,438	183,600
NET ASSETS REPRESENTING UNITHOLDERS' EQUITY (Note 6):		
GAAP NAV (Note 3)	\$ 8,711,169	\$ 15,910,584
NUMBER OF UNITS OUTSTANDING (Note 5)		
	934,633	1,564,951
NET ASSET VALUE PER UNIT (Note 3):		
GAAP NAV (Note 3)	\$ 9.32	\$ 10.17

SIGNED ON BEHALF OF THE TRUSTEE,

(signed) Wayne L. Pushka
Director

(signed) Thomas I. A. Allen
Director

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

Financial Statements

continued

STATEMENT OF OPERATIONS

For the year ended December 31,	2007	2006
INCOME		
Dividends (net of withholding taxes – 2007: \$8,195; 2006: \$12,008)	\$ 239,825	\$ 380,826
Interest	68,313	105,508
	308,138	486,334
EXPENSES		
Management fees (Note 8)	75,717	120,359
Legal fees	1,334	6,601
Service fees (Note 8)	45,483	74,708
Directors' fees and expenses	29,216	32,519
Insurance expense	18,978	11,070
Administrative expenses (Note 8)	70,595	104,016
Interest expense	-	2,048
Custody, valuation and transfer fees	54,509	64,805
Accounting fees	23,257	17,840
Audit fees	30,056	39,978
Regulatory and listing expenses	21,130	18,910
Unitholder servicing expenses (Note 8)	23,210	59,587
	393,485	552,441
NET INVESTMENT LOSS	(85,347)	(66,107)
CHANGE IN UNREALIZED APPRECIATION OF INVESTMENTS (Note 4)	(1,288,923)	(318,251)
TRANSACTION COSTS (Notes 3, 7 and 9)	(8,442)	-
NET REALIZED GAIN ON SALE OF INVESTMENTS (Note 4)	1,552,611	1,972,483
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 169,899	\$ 1,588,125
INCREASE IN NET ASSETS FROM OPERATIONS PER UNIT ⁽¹⁾	\$ 0.14	\$ 0.80

⁽¹⁾Based on the weighted average number of units outstanding during the period.

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

Financial Statements

continued

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31,	2007	2006
NET ASSETS, BEGINNING OF YEAR	\$ 15,910,584	\$ 24,220,496
INITIAL ADOPTION OF NEW ACCOUNTING POLICY (Note 3)	(15,006)	-
	15,895,578	24,220,496
 INCREASE IN NET ASSETS FROM OPERATIONS	 169,899	 1,588,125
CAPITAL UNIT TRANSACTIONS (Note 6)		
Paid for units redeemed	(6,492,277)	(8,502,459)
DISTRIBUTIONS TO UNITHOLDERS (Note 6)		
Return of capital	(862,031)	(1,395,578)
NET ASSETS, END OF YEAR	\$ 8,711,169	\$ 15,910,584

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

Financial Statements

continued

STATEMENT OF CASH FLOW

For the year ended December 31,	2007	2006
CASH FLOW FROM (TO) OPERATIONS		
Net investment loss	\$ (85,347)	\$ (66,107)
Transaction costs	(8,442)	-
Change in non-cash working capital	(41,985)	7,335
	(135,774)	(58,772)
CASH FLOW FROM (TO) INVESTING ACTIVITIES		
Purchase of investments	(10,440)	(1,467,138)
Proceeds from sale of investments	7,243,941	11,025,801
	7,233,501	9,558,663
CASH FLOW FROM (TO) FINANCING ACTIVITIES		
Paid for units redeemed	(6,492,277)	(8,502,459)
Distributions paid	(862,031)	(1,449,521)
	(7,354,308)	(9,951,980)
NET DECREASE IN CASH AND SHORT-TERM INVESTMENTS	(256,581)	(452,089)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	503,642	955,731
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	\$ 247,061	\$ 503,642
INTEREST PAID	\$ -	\$ 2,048

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

Financial Statements

STATEMENT OF INVESTMENT PORTFOLIO As at December 31, 2007

DESCRIPTION	NUMBER OF SHARES	AVERAGE COST	MARKET VALUE	% OF NET ASSETS
CANADIAN EQUITIES				
Bank of Montreal	3,474	\$ 182,001	\$ 195,413	2.2
Bank of Nova Scotia	4,500	153,472	225,720	2.6
BCE Inc.	5,747	153,742	227,581	2.6
Bell Aliant Regional Communications Income Fund	7,581	250,190	223,109	2.6
Canadian Imperial Bank of Commerce	2,315	153,760	163,277	1.9
Canadian Oil Sands Trust	6,900	72,157	267,099	3.1
Canadian Tire Corporation	2,800	130,592	207,116	2.4
Canadian Utilities Limited	5,100	137,798	233,580	2.7
Cascades Inc.	20,300	278,892	171,129	2.0
Emera Inc.	11,250	191,866	245,475	2.8
Enbridge Inc.	6,400	156,949	256,000	2.9
EnCana Corp.	3,586	100,489	242,055	2.8
Finning International Inc.	7,600	122,389	217,664	2.5
Great-West Lifeco Inc.	6,400	156,992	227,072	2.6
IGM Financial, Inc.	4,500	151,068	225,135	2.6
Imperial Oil Ltd.	4,760	96,911	259,801	3.0
Loblaw Companies Limited	4,800	299,542	163,056	1.9
Manitoba Telecom Services Inc.	4,906	229,705	225,529	2.6
Manulife Financial Corporation	5,610	147,848	226,925	2.6
MDS Inc.	11,300	244,048	216,282	2.5
Molson Coors Canada Inc - B	4,408	201,446	224,411	2.6
National Bank of Canada	3,800	166,571	198,246	2.3
Petro-Canada	4,200	122,997	223,650	2.6
RioCan Real Estate Investment Trust	8,950	118,416	194,663	2.2
Royal Bank of Canada	4,070	120,646	206,308	2.4
Saputo Inc.	9,000	148,101	268,470	3.1
Sun Life Financial Inc.	4,400	161,408	244,596	2.8
The Thomson Corporation	5,200	232,377	209,456	2.4
The Toronto-Dominion Bank	3,243	144,757	225,226	2.6
Westshore Terminals Income Fund	16,200	202,477	234,251	2.7
TOTAL CANADIAN EQUITIES		5,029,607	6,648,295	76.4
U.S. EQUITIES				
3M Co.	2,600	306,569	216,371	2.5
General Electric Company	5,910	251,041	215,700	2.5
Hewlett-Packard Company	4,900	142,271	243,882	2.8
Intel Corporation	8,900	347,841	233,651	2.7
International Business Machines Corporation	1,900	229,148	202,353	2.3
Johnson & Johnson	3,400	257,940	223,519	2.6
Microsoft Corporation	7,100	254,938	249,391	2.9
Pfizer Inc.	7,900	378,659	176,912	2.0
The Home Depot, Inc.	5,600	271,100	148,674	1.7
TOTAL U.S. EQUITIES		2,439,507	1,910,453	21.9
TRANSACTION COSTS (Note 3)		(12,222)	-	-
TOTAL INVESTMENTS		\$ 7,456,892	8,558,748	98.3
OTHER ASSETS, NET OF LIABILITIES			152,421	1.7
TOTAL NET ASSETS		\$ 8,711,169	8,711,169	100.0

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

Notes to the Financial Statements

December 31, 2007

1. THE FUND

Establishment of the Fund

The Crown Hill Dividend Fund (the “Fund”) is an investment trust established under the laws of the Province of Ontario on May 19, 2004 (date of inception). On May 31, 2004, the Fund completed an initial public offering (the “Offering”) of 2,500,000 Units (the “Units”) at \$10 per Unit. Subsequently an option granted to the agents was exercised for 193,473 Units at \$10 per Unit. The Fund's Units are listed on The Toronto Stock Exchange under the symbol PBK.UN. The Fund began operations on May 31, 2004 when it completed its initial public offering. The Fund will terminate operations on December 31, 2011 (the “Termination Date”) and the net assets will be distributed pro rata to holders of Units (the “Unitholders”). The manager (the “Manager”) of the Fund is Crown Hill Capital Corporation, which is a wholly-owned subsidiary of First Paladin Inc.

Effective June 24, 2005 the name of the Fund changed from Profit Booking Blue Chip Trust to Crown Hill Dividend Fund.

2. INVESTMENT OBJECTIVES OF THE FUND

The stated investment objectives are:

- (i) to provide Unitholders with a stable stream of monthly distributions targeted at \$0.06 per Unit (\$0.72 per annum) or 7.2% of the Offering Price; and
- (ii) to preserve and potentially enhance the net asset value of the Fund in order to return at least the Offering Price to Unitholders upon the Termination date.

3. 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 amounts of assets, liabilities, income and expenses during the reporting period. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

a) Investment Valuation

Change in accounting policy

Effective January 1, 2007, the Canadian Institute of Chartered Accountants (‘CICA’) Handbook Section 3855, Financial Instruments: Recognition and Measurement, requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for long securities and the ask price for securities held short. Prior to this new section, the fair value was based on the last traded price for the day, when available.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities be charged to net income in the period. Prior to this new section, these costs were added to the cost of the securities purchased or deducted from the proceeds of sale. See Note 7. This change has no impact on the net assets of the Fund.

Notes to the Financial Statements

continued

December 31, 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On January 1, 2007, the Fund adopted Section 3855 on a retroactive basis (that is, without retroactive restatement of prior periods) for financial reporting purposes. The effect of the initial adoption of this new accounting policy, using the closing bid price as at December 31, 2006, is a decrease of \$15,006 in the net assets of the fund at the beginning of the period.

The Canadian Securities Administrators have granted temporary relief to investment funds from complying with Section 3855, for the purpose of calculating and reporting of transactional net assets and transactional net asset value per unit (other than for financial reporting purposes) until September 30, 2008, to permit review of the suitability of these financial reporting requirements for purposes other than the financial statements, such as the purchase and redemption of an investment fund. A reconciliation of net assets at the current year's last traded price ("Transactional NAV") and at the current year's bid price according to GAAP ("GAAP NAV") as at December 31, 2007, is as follows:

	Net assets		Net asset value per unit	
Transactional NAV	\$	8,721,245	\$	9.33
Difference as a result of adopting Section 3855		(10,076)		(0.01)
Financial statements	\$	8,711,169	\$	9.32

Portfolio Securities

Securities listed on a public stock exchange are valued at their bid price on the valuation date. Securities not listed on any exchange are valued based upon the available public quotations in common use or at a price estimated to be the fair value thereof as determined by the Manager of the Fund.

Short-Term Investments

Short-term investments are recorded at fair value, which is approximated by cost plus accrued interest.

b) Investment Transactions and Income Recognition

- i. Investment transactions are accounted for on the trade date.
- ii. Interest income and expense are recorded on the accrual basis.
- iii. Dividend income is recorded on the ex-dividend date.
- iv. Realized gains and losses on investments and unrealized appreciation or depreciation of investments are calculated using the average cost of the related investments.

Notes to the Financial Statements

continued

December 31, 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Net asset value per unit

On each valuation date, the net asset value per unit is computed by dividing the net assets of the Fund by the total number of its units outstanding.

d) Foreign Exchange

The market value of investments and other assets and liabilities denominated in foreign currencies is translated into Canadian dollars at the rates prevailing on each valuation date. Purchases and sales of investments, income and expenses are translated into Canadian dollars at the foreign exchange rates prevailing on the respective dates of such transactions.

e) Future accounting changes

The CICA has issued the following accounting standards that apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007:

- i. Section 1535, "Capital Disclosure"
- ii. Section 3862, "Financial Instruments – Disclosure"
- iii. Section 3863, "Financial Instruments – Presentation"

The Fund will adopt the above-mentioned Handbook sections with effect from January 1, 2008

4. INVESTMENT PORTFOLIO

The following tables summarize movements in investments during the years ended December 31, 2007 and December 31, 2006:

Investments at cost

	2007	2006
Investments at cost – beginning of year	\$ 13,159,623	\$ 20,745,803
Transaction costs in December 31, 2006 cost (Note 3)	(21,841)	-
	<hr/> 13,137,782	<hr/> 20,745,803
Investments made during the year	10,440	1,467,138
Dispositions during the year, at cost	(5,691,330)	(9,053,318)
Investments at cost – end of year	<hr/> \$ 7,456,892	<hr/> \$ 13,159,623

Notes to the Financial Statements

continued

December 31, 2007

4. INVESTMENT PORTFOLIO (Continued)

Change in unrealized appreciation of investments

	2007		2006
Investments at market – end of year	\$ 8,558,748	\$	15,543,567
Investments at cost – end of year	7,456,892		13,159,623
Unrealized appreciation of investments – end of year	1,101,856		2,383,944
Unrealized appreciation of investments – beginning of year	2,383,944		2,702,195
	(1,282,088)		(318,251)
Add back difference in opening market value between bid and closing price	15,006		-
Less transaction costs in December 31, 2006 cost	(21,841)		-
Change in unrealized appreciation of investments	\$ (1,288,923)	\$	(318,251)

Net realized gain on sale of investments

	2007		2006
Proceeds of investments sold	\$ 7,243,941	\$	11,025,801
Cost of investments sold	(5,691,330)		(9,053,318)
Net realized gain on investments	\$ 1,552,611	\$	1,972,483

5. UNITS ISSUED AND OUTSTANDING

The Fund 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 Fund. Unitholders are entitled to redeem their Units outstanding in May of each year. On the redemption date, Units will be redeemed at the Transactional net asset value per Unit (see Note 3).

The following unit transactions took place during the years ended December 31, 2007 and 2006.

	2007	2006
Balance of units outstanding – beginning of year	1,564,951	2,463,993
Units cancelled or redeemed during the year	(630,318)	(899,042)
Balance of units outstanding – end of year	934,633	1,564,951

Notes to the Financial Statements

continued

December 31, 2007

6. UNITHOLDERS' EQUITY

Unitholders' equity is comprised of unitholders' capital and retained earnings. The changes in unitholders' capital and retained earnings during the years ended December 31, 2007 and 2006 are summarized as follows:

	2007		2006
Unitholders' capital – beginning of year	\$ 14,408,712	\$	22,679,898
Redemption of units	(5,803,423)		(8,271,186)
Unitholders' capital – end of year	<u>\$ 8,605,289</u>	\$	<u>14,408,712</u>

	2007		2006
Retained earnings – beginning of year	\$ 1,501,872	\$	1,540,598
Difference in opening market value between bid and closing price (Note 3)	(15,006)		-
Results from operations for the year	169,899		1,588,125
Distributions to unitholders	(862,031)		(1,395,578)
Excess of cost of units redeemed over net proceeds of issuance	(688,854)		(231,273)
Retained earnings – end of year	<u>\$ 105,880</u>	\$	<u>1,501,872</u>

	2007		2006
Unitholders' capital – end of year	\$ 8,605,289	\$	14,408,712
Retained earnings – end of year	105,880		1,501,872
Unitholders' equity	<u>\$ 8,711,169</u>	\$	<u>15,910,584</u>

7. TAXATION

The Fund qualifies as a "mutual fund trust" within the meaning of the *Income Tax Act* (Canada). The Fund 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 Unitholders.

The Fund has non-capital losses of \$146,000 that can be carried forward until 2014 to reduce taxable income of future years.

For tax purposes, transaction costs continue to be added to the average cost (for purchases) and reduced from the sale proceeds (for sales). The individual cost for each investment shown on the Statement of Investments is the cost used for tax purposes. The total of the transaction costs incurred on the purchase of the securities held as at December 31, 2007 is shown as a reduction on the Statement of Investments.

Notes to the Financial Statements

continued

December 31, 2007

8. FUND EXPENSES

The Fund is responsible for all expenses incurred. These expenses are Operational Expenses and Service Fees. All expenses of the Fund are initially paid by the Manager, which is then reimbursed by the Fund in a reasonable amount of time.

Operational Expenses include the Manager's Fees, Administrative costs, Unitholder Servicing costs and any other cost directly related to the operation of the Fund. Of these expenses, the Manager is entitled to an annual fee of 0.60% of the Transactional NAV of the Fund, calculated and payable monthly. For the year, this amount totaled \$75,717 (2006 - \$120,359) of which \$4,697 (2006 - \$8,562) was payable at December 31, 2007. Administrative costs for the year totaled \$70,595 (2006 - \$104,016). This was made up of administrative salaries, employee benefits, general overhead and office supplies. As part of the administration cost, the Fund is paying a monthly general overhead cost to First Paladin Inc, which varies depending on the actual costs incurred. The general overhead cost for the year was \$46,174 (2006 - \$52,421).

Unitholder Servicing costs for the year totaled \$23,210 (2006 - \$59,587) which was made up of investor relations salaries, web site fees and payments to service providers for the filing of press releases and SEDAR filings. Service Fees for the year totaled \$45,483 (2006 - \$74,708) which are trailer fees paid by the Fund to the Unitholders' investment advisors.

9. BROKERAGE COMMISSIONS AND PORTFOLIO TRANSACTIONS

The brokerage commissions fees paid during 2007 were \$8,442 (2006 - \$11,103). The commissions were incurred solely for order execution services. The Fund does not pay any soft dollar commissions.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's investment activities expose it to various types of risk associated with the securities in which it invests, such as interest rate risk, foreign exchange risk, liquidity risk and credit risk.