



Financial Statements of

CROWN HILL DIVIDEND FUND

(Unaudited)

For the six months ended June 30, 2008

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Financial Statements

STATEMENT OF NET ASSETS (Unaudited)

	As at June 30, 2008	As at December 31, 2007
ASSETS		
Investments at market value (Note 4) (Cost 2008: \$6,161,086; 2007: \$7,456,892)	\$ 6,222,298	\$ 8,558,748
Cash and short-term investments	260,901	247,061
Dividend and interest receivable	21,974	26,798
	6,505,173	8,832,607
LIABILITIES		
Accrued liabilities	45,618	65,360
Distributions payable (Note 2)	46,085	56,078
	91,703	121,438
NET ASSETS REPRESENTING UNITHOLDERS' EQUITY (Note 6):		
GAAP NAV (Note 3)	\$ 6,413,470	\$ 8,711,169
NUMBER OF UNITS OUTSTANDING (Note 5)		
	768,076	934,633
NET ASSET VALUE PER UNIT (Note 3):		
GAAP NAV (Note 3)	\$ 8.35	\$ 9.32

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.

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continued

STATEMENT OF OPERATIONS
(Unaudited)

For the six months ended June 30,	2008	2007
INCOME		
Dividends (net of withholding taxes – 2008: \$3,465; 2007: \$4,850)	\$ 128,377	\$ 171,803
Interest	281	10,593
	128,658	182,396
EXPENSES		
Management fees (Note 8)	26,160	46,640
Legal fees	-	1,334
Service fees (Note 8)	16,653	26,614
Directors' and IRC fees and expenses	13,414	10,600
Insurance expense	4,500	4,543
Administrative expenses (Note 8)	25,021	45,473
Custody, valuation and transfer fees	23,828	32,197
Accounting fees	6,848	18,237
Audit fees	13,100	27,356
Regulatory and listing expenses	16,764	20,971
Unitholder servicing expenses (Note 8)	755	22,814
	147,043	256,779
NET INVESTMENT LOSS	(18,385)	(74,383)
CHANGE IN UNREALIZED APPRECIATION OF INVESTMENTS (Note 4)	(1,040,644)	(770,925)
TRANSACTION COSTS (Notes 3, 7 and 9)	(1,379)	(8,064)
NET REALIZED GAIN ON SALE OF INVESTMENTS (Note 4)	564,878	1,336,017
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ (495,530)	\$ 482,645
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT ⁽¹⁾	\$ (0.54)	\$ 0.33

⁽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
(Unaudited)**

For the six months ended June 30,		2008		2007
NET ASSETS, BEGINNING OF PERIOD	\$	8,711,169	\$	15,910,584
INITIAL ADOPTION OF NEW ACCOUNTING POLICY (Note 3)		-		(15,006)
		8,711,169		15,895,578
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		(495,530)		482,645
CAPITAL UNIT TRANSACTIONS (Note 6)				
Paid for units redeemed		(1,475,695)		(6,492,274)
DISTRIBUTIONS TO UNITHOLDERS (Note 6)				
Return of capital		(326,474)		(525,563)
NET ASSETS, END OF PERIOD	\$	6,413,470	\$	9,360,386

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

Financial Statements

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STATEMENT OF CASH FLOW
(Unaudited)

For the six months ended June 30,	2008	2007
CASH FLOW FROM (TO) OPERATIONS		
Net investment loss	\$ (18,385)	\$ (74,383)
Transaction costs	(1,379)	(8,064)
Change in non-cash working capital	(14,918)	1,695
	(34,682)	(80,752)
CASH FLOW FROM (TO) INVESTING ACTIVITIES		
Purchase of investments	-	(10,954)
Proceeds from sale of investments	1,860,684	6,687,842
Transaction costs removed from cost of opening investments (Note 3)	-	21,841
Initial adoption of new accounting policy (Note 3)	-	(15,006)
	1,860,684	6,683,723
CASH FLOW FROM (TO) FINANCING ACTIVITIES		
Paid for units redeemed	(1,475,695)	(6,492,274)
Distributions paid	(336,467)	(563,382)
	(1,812,162)	(7,055,656)
NET DECREASE IN CASH AND SHORT-TERM INVESTMENTS	13,840	(452,685)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD	247,061	503,642
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	\$ 260,901	\$ 50,957
INTEREST PAID	\$ -	\$ -

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

Financial Statements

STATEMENT OF INVESTMENT PORTFOLIO As at June 30, 2008 (Unaudited)

DESCRIPTION	NUMBER OF SHARES	AVERAGE COST	MARKET VALUE	% OF NET ASSETS
CANADIAN EQUITIES				
Bank of Montreal	3,474	\$ 182,001	\$ 146,082	2.3
Bank of Nova Scotia	3,600	122,777	168,012	2.6
BCE Inc.	4,847	129,665	172,311	2.7
Bell Aliant Regional Communications Income Fund	5,781	190,786	168,054	2.6
Canadian Imperial Bank of Commerce	2,315	153,760	129,455	2.0
Canadian Oil Sands Trust	3,400	35,556	185,946	2.9
Canadian Tire Corporation	2,800	130,592	148,064	2.3
Canadian Utilities Limited	3,700	99,971	162,245	2.5
Cascades Inc.	20,300	278,892	135,401	2.1
Emera Inc.	7,550	128,763	174,178	2.7
Enbridge Inc.	3,900	95,641	171,717	2.7
EnCana Corp.	1,886	52,851	174,926	2.7
Finning International Inc.	5,800	93,402	147,842	2.3
Great-West Lifeco Inc.	5,400	132,462	157,356	2.5
IGM Financial, Inc.	3,800	127,569	160,436	2.5
Imperial Oil Ltd.	2,960	60,264	165,198	2.6
Loblaw Companies Limited	4,800	299,542	145,968	2.3
Manitoba Telecom Services Inc.	4,006	187,566	160,240	2.5
Manulife Financial Corporation	4,510	118,858	159,699	2.5
MDS Inc.	9,100	196,534	150,605	2.3
Molson Coors Canada Inc - B	2,908	132,896	160,609	2.5
National Bank of Canada	3,200	140,270	161,472	2.5
Petro-Canada	2,900	84,927	164,575	2.6
RioCan Real Estate Investment Trust	8,050	106,508	159,390	2.5
Royal Bank of Canada	3,470	102,860	157,816	2.5
Saputo Inc.	6,500	106,962	188,370	2.9
Sun Life Financial Inc.	3,700	135,729	154,475	2.4
The Thomson Corporation	4,700	210,033	153,972	2.4
The Toronto-Dominion Bank	2,443	109,048	155,350	2.4
Westshore Terminals Income Fund	9,500	118,737	187,815	2.9
TOTAL CANADIAN EQUITIES		4,065,422	4,827,579	75.2
U.S. EQUITIES				
3M Co.	2,200	259,405	155,147	2.4
General Electric Company	5,610	238,298	151,283	2.4
Hewlett-Packard Company	3,700	107,429	165,619	2.6
Intel Corporation	7,200	281,399	156,906	2.5
International Business Machines Corporation	1,300	156,786	156,041	2.4
Johnson & Johnson	2,600	197,248	169,560	2.6
Microsoft Corporation	6,000	215,441	167,583	2.6
Pfizer Inc.	7,900	378,659	139,861	2.2
The Home Depot, Inc.	5,600	271,099	132,719	2.1
TOTAL U.S. EQUITIES		2,105,764	1,394,719	21.8
TRANSACTION COSTS (Note 3)		(10,100)	-	-
TOTAL INVESTMENTS		\$ 6,161,086	6,222,298	97.0
OTHER ASSETS, NET OF LIABILITIES			191,172	3.0
TOTAL NET ASSETS		\$ 6,413,470		100.0

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

Notes to the Financial Statements

June 30, 2008 (Unaudited)

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

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June 30, 2008 (Unaudited)

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 last traded price (“Transactional NAV”) and at the bid price according to GAAP (“GAAP NAV”) is as follows:

As at June 30, 2008	Net assets		Net asset value per unit	
Transactional NAV	\$	6,430,858	\$	8.37
Difference as a result of adopting Section 3855		(17,388)		(0.02)
Financial statements, GAAP NAV	\$	6,413,470	\$	8.35

As at December 31, 2007	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, GAAP NAV	\$	8,711,169	\$	9.32

On January 1, 2008, the Fund adopted CICA Handbook Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation”. The new standards replaced Section 3861, “Financial Instruments – Disclosure and Presentation”. 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.

The detailed risks of investing in the Fund are disclosed in Note 10

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.

Notes to the Financial Statements

continued

June 30, 2008 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Financial Statements

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June 30, 2008 (Unaudited)

4. INVESTMENT PORTFOLIO

The following tables summarize movements in investments during the six-month periods ended June 30, 2008 and June 30, 2007:

Investments at cost

	2008	2007
Investments at cost – beginning of period	\$ 7,456,892	\$ 13,159,623
Transaction costs in December 31, 2006 cost (Note 3)	-	(21,841)
	7,456,892	13,137,782
Investments made during the period	-	10,954
Dispositions during the period, at cost	(1,295,806)	(5,351,825)
Investments at cost – end of period	\$ 6,161,086	\$ 7,796,911

Change in unrealized appreciation of investments

	2008	2007
Investments at market – end of period	\$ 6,222,298	\$ 9,409,930
Investments at cost – end of period	6,161,086	7,796,911
Unrealized appreciation of investments – end of period	61,212	1,613,019
Unrealized appreciation of investments – beginning of period	1,101,856	2,377,109
	(1,040,644)	(764,090)
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	\$ (1,040,644)	\$ (770,925)

Net realized gain on sale of investments

	2008	2007
Proceeds of investments sold	\$ 1,860,684	\$ 6,687,842
Cost of investments sold	1,295,806	(5,351,825)
Net realized gain on investments	\$ 564,878	\$ 1,336,017

Notes to the Financial Statements

continued

June 30, 2008 (Unaudited)

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 six-month periods ended June 30, 2008 and 2007.

	2008	2007
Balance of units outstanding – beginning of year	934,633	1,564,951
Units cancelled or redeemed during the year	(166,557)	(630,318)
Balance of units outstanding – end of year	768,076	934,633

6. UNITHOLDERS' EQUITY

Unitholders' equity is comprised of unitholders' capital and retained earnings. The changes in unitholders' capital and retained earnings during the six-month periods ended June 30, 2008 and 2007 are summarized as follows:

	2008	2007
Unitholders' capital – beginning of period	\$ 8,605,289	\$ 14,408,712
Redemption of units	(1,532,324)	(5,803,423)
Unitholders' capital – end of period	\$ 7,072,965	\$ 8,605,289

	2008	2007
Retained earnings – beginning of period	\$ 105,880	\$ 1,501,872
Difference in opening market value between bid and closing price (Note 3)	-	(15,006)
Results from operations for the period	(495,530)	482,645
Distributions to unitholders	(326,474)	(525,563)
Excess of net proceeds over cost of units redeemed (cost of units redeemed over net proceeds of issuance)	56,629	(688,851)
Retained earnings (deficit) – end of period	\$ (659,495)	\$ 755,097

	2008	2007
Unitholders' capital – end of period	\$ 7,072,965	\$ 8,605,289
Retained earnings (deficit) – end of period	(659,495)	755,097
Unitholders' equity	\$ 6,413,470	\$ 9,360,386

Notes to the Financial Statements*continued***June 30, 2008 (Unaudited)****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 June 30, 2008 is shown as a reduction on the Statement of Investments.

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 six month period ended June 30, 2008; this amount totaled \$26,160 (2007 - \$46,640) of which \$4,607 (2007 - \$4,953) was payable at June 30, 2008. Administrative costs for the six months totaled \$25,021 (2007 - \$45,473). 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. The general overhead cost for the six months was \$24,882 (2007 - \$21,051).

Unitholder Servicing costs for the six months totaled \$755 (2007 - \$22,814) 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 six months totaled \$16,653 (2007 - \$26,614) which are trailer fees paid by the Fund to the Unitholders’ investment advisors.

The Investment Review Committee (“IRC”) commenced operations on November 1, 2007. The fees and expenses related to the IRC are included with the Directors fees and expenses on the Statement of Operations.

Notes to the Financial Statements*continued***June 30, 2008 (Unaudited)****9. BROKERAGE COMMISSIONS AND PORTFOLIO TRANSACTIONS**

The brokerage commissions fees paid for the six months were \$1,379 (2007 - \$8,064). 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 financial instruments in which it invests directly. In addition to the risks of investing in the equity markets generally, the Fund is also subject to other risks, including interest rate risk, currency risk, credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities and the Fund's market price risk is managed through diversification of the investment portfolio. The Manager monitors the Fund's overall market positions on a weekly basis and positions are maintained within established ranges.

The most significant exposure to market risk is from equity securities. As at June 30, 2008, had the prices on the respective stock exchanges for these securities raised (lowered) by 1%, with all other variables held constant, net assets would have increased (decreased) by approximately \$62,000 (approximately 1.0% of total net assets). In practice, the actual results may differ and the difference could be material.

Currency Risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The Statement of Investments identifies all investments denominated in foreign currencies. Equities in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value.

The Fund invests approximately 22% of the investment portfolio in U.S. securities. At June 30, 2008, if the Canadian dollar had strengthened (weakened) by 1%, with all other variables held constant, net assets would have decreased (increased) by approximately \$14,000 (approximately 0.2% of total net assets). In practice, the actual results may differ and the difference could be material.

Notes to the Financial Statements

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June 30, 2008 (Unaudited)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments.

The Fund invests in equity securities. Therefore as at June 30, 2008 the Fund did not have any significant exposure to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or a counter party will be unable or unwilling to meet a commitment that it has entered into with the Fund. All transactions in listed securities are settled for upon delivery 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 a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund invests in equity securities. Therefore as at June 30, 2008, the Fund did not have any significant exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial obligations. The Fund is exposed to an annual redemption of units at which time the units of the Fund are redeemed at the current Transactional NAV per unit. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed.

The Fund's investments are considered readily realizable and highly liquid. Therefore, as at June 30, 2008, the Fund's liquidity risk is considered minimal.