



CapitalDirect

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CAPITAL DIRECT I INCOME TRUST

For the Six Month Period Ended June 30, 2008

(Unaudited – Management Prepared)

CAPITAL DIRECT I INCOME TRUST

Statement of Net Assets

June 30, 2008, with comparative figures for December 31, 2007
(Unaudited - Management Prepared)

	30-Jun-08 (Unaudited)	Dec. 31, 2007 (Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 192,483	\$ 75,327
Investments	2,179,999	1,704,378
	<u>2,372,481</u>	<u>\$ 1,779,705</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 95,653	\$ 86,241
Loans payable to related party	1,000,000.00	1,000,000
Deferred mortgage discount income	25,714.69	25,454
	<u>1,121,368</u>	<u>1,111,695</u>
Unitholders Equity		
Net Assets	1,251,113	668,010
Unitholder at start period	900,101.00	
New subscriptions	351,012.20	
	<u>\$ 2,372,481</u>	<u>\$ 1,779,705</u>

See accompanying notes to the financial statements.

Approved by the Board of Governors

"David Rally"
David Rally

Director

"Derek Tripp"
Derek Tripp

Director

CAPITAL DIRECT I INCOME TRUST

Statement of Changes in Net Assets

For the six months ended June 30, 2008 with comparative figures for December 31 and June 30, 2007
(Unaudited - Management Prepared)

	June 30, 2008 (Unaudited)	Dec. 31 2007 (Audited)	June 30, 2007
Net assets - beginning of period	\$ 900,101	\$ -	\$ -
Net income from operations	46,040	21,201	-
	946,141	21,201	-
Distribution to unitholders	(36,832)	(16,961)	-
Distribution to the Manager	(9,208)	(4,240)	-
Capital unit transactions			
New subscriptions (Notes 7 & 8)	351,012	668,010	-
Unit redemptions	-		
Net assets - end of period	\$ 1,251,113	\$ 668,010	\$ -

See accompanying notes to the financial statements.

CAPITAL DIRECT I INCOME TRUST

Statement of Operations

For the three months ended June 30, 2008 and 2007
(Unaudited - Management Prepared)

	June 30, 2008 (Unaudited)	June 30, 2007
INCOME		
Mortgage interest	\$ 70,719	-
Mortgage discount	12,312	-
Prepayment penalty	-	-
Other income	1,528	-
	84,559	-
EXPENSES		
Audit fees	3,000	-
Bank charges	467	-
Filing fees	2,040	-
Interest on loan payable	17,501	-
Legal fees	1,082	-
Management fees	9,558	-
Provision for loan loss	1,000	-
Trustee fees	3,871	-
	38,519	-
Net income from operations	\$ 46,040	\$ -

See accompanying notes to the financial statements.

CAPITAL DIRECT I INCOME TRUST

Statement of Cash Flow

For the three months ended June 30, 2008 and 2007
(Unaudited - Management Prepared)

	June 30, 2008 (Unaudited)	June 30, 2007
Operating activities		
Net income from operations	\$ 46,040	\$ -
Items not affecting cash:		
Distribution to unitholders and Manager	(46,040)	-
Reinvested distributions	-	-
	0	-
Changes in non-cash working capital:		
Accounts payable	35,065	-
Deferred mortgage discount income	3,616	-
	38,681	-
Cash flow from operating activities	38,682	-
Investing activity		
Purchase of investments, net	(219,125)	-
Cash flow used by investing activity	(219,125)	-
Financing activities		
Advances from related parties	-	-
Cash subscriptions	351,012	-
Cashflow from financing activities	351,012	-
Net change in cash and cash equivalents during the period	170,569	
Cash and cash equivalents - beginning of period	21,914	
Cash and cash equivalents - end of period	\$ 192,483	\$ -
Cash flow supplementary information		
Interest paid	\$ 17,501	\$ -
Income taxes paid	\$ -	\$ -

See accompanying notes to the financial statements.

CAPITAL DIRECT I INCOME TRUST

Notes to Financial Statements Six Month Period Ended June 30, 2008 Unaudited – Management Prepared

1. ORGANIZATION OF THE TRUST

The Capital Direct I Income Trust (the “Trust”) is an open-ended investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 23, 2006 by Capital Direct Management Ltd. (the “Manager”), as administrator of the Trust and Computershare Trust Company of Canada (the “Trustee”)

The Trust is not a reporting issuer under securities legislation and therefore is relying on Part 2.11 of National Instrument 81-106 for exemption from the requirements to file financial statements with the applicable regulatory authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Trust considers all cash and highly liquid investments purchased with an initial maturity of one year or less to be cash and cash equivalents.

Investments

Investments consist primarily of residential mortgages and are valued at the outstanding principal balance which approximates fair market value. The Manager based on reasonable discretion, may determine a value which more accurately reflects the fair market value of the investment.

Income Recognition

Income from cash equivalents and investments are recognized on an accrual basis. Gain or loss on investments is recognized in the period when sold or when the Manager determines that a permanent impairment in value has occurred. Mortgage discount income is deferred and recognized over the term of the underlying mortgages.

Loss Reserve

Management reviews, estimates and accrues the loss provision on a monthly basis consistent with the historical outcomes of mortgages originated by Capital Direct Lending Corp., parent company of the Manager.

CAPITAL DIRECT I INCOME TRUST

Notes to Financial Statements Six Month Period Ended June 30, 2008 Unaudited – Management Prepared

3. FINANCIAL INSTRUMENTS

The Trust's financial instruments consist of cash and cash equivalents, investments, accounts payable and payable to a related party.

Credit Risk

It is the Manager's opinion that the Trust is exposed to credit risks on all investments. The credit risk is minimized as all investments are collateralized, there is no geographical concentration of investments and the Manager regularly reviews and monitors the fair value of each investment. Accordingly, it is the Manager's opinion that the Trust is not exposed to significant credit risk.

Fair Value

The Trust's carrying value of cash and cash equivalents, accounts payable and payable to a related party approximates its fair value due to the immediate or short term of these instruments.

Liquidity Risk

The Trust's investments are subject to liquidity risk due to the fact the investments are collateralized by real estate. As a result, the Trust may not be able to realize the full fair value of the investments in the event that these financial assets need to be sold quickly.

CAPITAL DIRECT I INCOME TRUST

Notes to Financial Statements Six Month Period Ended June 30, 2008 Unaudited – Management Prepared

4. INVESTMENTS

Investments consist primarily of residential mortgages acquired from Capital Direct Lending Corp. The mortgages have a maturity ranging from 12 to 24 months and range in position of collateral from first to third. Interest rates on the mortgages vary as noted below:

Rate		Number of Loans	Fair Value
5.001	to 5.500	1	\$ 29,597
6.501	to 7.000	1	\$ 125,081
7.001	to 7.500	1	\$ 26,263
7.501	to 8.000	1	\$ 30,597
8.501	to 9.000	2	\$ 251,065
9.501	to 10.000	3	\$ 156,700
10.501	to 11.000	5	\$ 207,030
11.001	to 11.500	3	\$ 256,783
11.501	to 12.000	2	\$ 102,826
12.001	to 12.500	3	\$ 221,637
12.501	to 13.000	3	\$ 181,016
13.001	to 13.500	1	\$ 23,083
13.501	to 14.000	3	\$ 171,676
14.001	to 14.500	1	\$ 68,350
16.001	to 16.500	1	\$ 30,683
16.501	to 17.000	1	\$ 96,016
19.501	to 20.000	2	\$ 68,323
22.501	to 23.000	1	\$ 143,432
		<hr/>	
		35	\$ 2,190,160
Loan loss provision			\$ (10,161)
			<hr/>
			\$ 2,179,999

5. LOAN PAYABLE TO RELATED PARTY

The loan payable to Giroday Sawmills Ltd., a company controlled by a Director of the Manager, bears interest at the greater of 7% per annum or at the Royal Bank of Canada's prime rate of interest plus 1.5% per annum and matures on March 31, 2009. The loan is secured by a general security agreement on all present and future Trust property. Payments against the principal are not required, but may be made at any time without penalty at the discretion of the Trust.

CAPITAL DIRECT I INCOME TRUST

Notes to Financial Statements Six Month Period Ended June 30, 2008 Unaudited – Management Prepared

6. RELATED PARTY TRANSACTIONS

The Trust purchased 100% of its mortgages from Capital Direct Lending Corp., the parent company of the Manager. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. TAXATION

The Trust qualifies as a “Unit Trust” within the meaning of the Canadian Income Tax Act (“The Act”). The Trust is subject to applicable federal and provincial taxes on the amounts of its net income for tax purposes for the year, including net realizable taxable capital gains, except to the extent such amounts are distributed to unitholders. Losses incurred by the Trust cannot be allocated to unitholders, but may be deducted by the Trust in future years in accordance with The Act.

No provisions for income taxes have been recorded in these financial statements. The Trust is not subject to tax until its fiscal year-ending December 31, 2008.

8. UNITHOLDER EQUITY

Pursuant to the Declaration of Trust, the Trust is authorized to issue an unlimited number of retractable, redeemable and transferable units, each of which represents an equal, undivided interest in any distributions made by the Trust and in the net assets of the Trust in the event of termination or windup. Each Unitholder is entitled to one vote for each whole unit held by such Unitholder.

Units are permitted to be retracted on June 30 or December 31 in any year by giving written notice to the Manager. The retraction proceeds payable for each unit is determined by a formula based on a percentage of net asset value per unit and the length of time since the unit was acquired.

For the six month period ended June 30, 2008 32,600 units were issued for a total subscription price of \$326,000.

Units outstanding, beginning of period	90,010.10
Units issued	32,600.00
Units issued on reinvestment	2,501.23
Units redeemed	
Units outstanding, end of period	<u>125,111.33</u>

CAPITAL DIRECT I INCOME TRUST

Notes to Financial Statements Six Month Period Ended June 30, 2008 Unaudited – Management Prepared

9. DISTRIBUTION TO UNITHOLDERS

The Trust distributes 80% of the net income from operations to the unitholders on a quarterly basis from investments held by the Trust. The quarterly distributions are paid in arrears on the 15th day following the first three calendar quarters and on March 31 following the fourth calendar quarter to which the distribution relates. Distributions by the Trust will be paid in cash unless the unitholder elects to receive distributions in the form of units.

10. MANAGEMENT FEES AND EXPENSES

Management fees

Pursuant to the Management Agreement between the Trust and the Manager, the Manager is to provide management, administration and investment advisory services to the Trust. For these services, the Manager will be entitled to receive a monthly fee (the "Manager's Fee") calculated and payable monthly in arrears based on an annual rate of 2% of the net asset value.

In addition, 20% of the net income from operations will be paid to the Manager on a quarterly basis.

All organization expenses and sales commission or fees paid to registered dealers in connection with the Offering will be paid by the Manager.

Expenses

All expenses or outlays relating to the Trust from inception including, but not limited to, the Manager's Fee, the Trustee's fee, offering expenses (other than organizational expenses and sales commissions on fees paid to registered dealers in connection with the offer and sale of units), taxes payable by the Trust, expenses related to Unitholders' meetings, brokerage, legal and other fees and disbursements relating to the implementation of transactions for Trust investments, if any, will be paid by the Trust.

CAPITAL DIRECT I INCOME TRUST

Notes to Financial Statements Six Month Period Ended June 30, 2008 Unaudited – Management Prepared

11. ANNUALIZED RATE OF RETURN

Subscription Month	Net Asset Value \$	Weighted Average Net Asset Value Per Month \$	Net Income Allocated to Unitholders \$	Annualized Return %
Initial subscription on settlement	\$ 10			
April 30, 2008	\$ 975,103	975,103	32,420.78	13.299%
May 31, 2008	\$ 122,000	81,333	2,704.22	13.299%
June 30, 2008	\$ 154,000	51,333	1,706.76	13.299%
	\$ 1,251,113	1,107,770	36,831.75	13.299%