



**CapitalDirect**

Let your house lend a hand.

incometrustone.com  
we take a different approach

## **CAPITAL DIRECT I INCOME TRUST**

For the Three Month Period Ended March 31, 2008

(Unaudited – Management Prepared)

# CAPITAL DIRECT I INCOME TRUST

## Statement of Net Assets

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

	Mar. 31, 2008 (Unaudited)	Dec. 31, 2007 (Audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 21,914	\$ 75,327
Investments	1,960,874	1,704,378
	<u>1,982,788</u>	<u>\$ 1,779,705</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 60,588	\$ 86,241
Loans payable to related party	1,000,000	1,000,000
Deferred mortgage discount income	22,099	25,454
	<u>1,082,687</u>	<u>1,111,695</u>
<b>Unitholders Equity</b>		
Net Assets	900,101	668,010
	<u>\$ 1,982,788</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 three months ended March 31, 2008 with comparative figures for December 31 and March 31, 2007  
(Unaudited - Management Prepared)

	<b>Mar. 31, 2008 (Unaudited)</b>	<b>Dec. 31 2007 (Audited)</b>	<b>Mar. 31, 2007 (Audited)</b>
<b>Net assets - beginning of period</b>	\$ 668,010	\$ -	\$ -
Net income from operations	35,302	21,201	-
	703,312	21,201	-
Distribution to unitholders	(28,241)	(16,961)	-
Distribution to the Manager	(7,061)	(4,240)	-
Capital unit transactions			
New subscriptions (Notes 7 & 8)	232,091	668,010	-
<b>Net assets - end of period</b>	\$ 900,101	\$ 668,010	\$ -

# CAPITAL DIRECT I INCOME TRUST

## Statement of Operations

For the three months ended March 31, 2008 and 2007  
(Unaudited - Management Prepared)

	<b>Mar. 31, 2008</b>	<b>Mar. 31, 2007</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>INCOME</b>		
Mortgage interest	\$ 51,266	-
Mortgage discount	9,276	-
Prepayment penalty	-	-
Other income	825	-
	<b>61,367</b>	<b>-</b>
<b>EXPENSES</b>		
Accounting fees	1,000	-
Bank charges	406	-
Filing fees	1,330	-
Interest on loan payable	18,094	-
Management fees	4,039	-
Provision for loan loss	1,198	-
	<b>26,066</b>	<b>-</b>
<b>Net income from operations</b>	<b>\$ 35,302</b>	<b>\$ -</b>

## CAPITAL DIRECT I INCOME TRUST

### Statement of Cash Flow

For the three months ended March 31, 2008 and 2007  
(Unaudited - Management Prepared)

	Mar. 31, 2008 (Unaudited)	Mar. 31, 2007 (Audited)
<b>Operating activities</b>		
Net income from operations	\$ 35,302	\$ -
Items not affecting cash:		
Distribution to unitholders and Manager	(35,302)	-
Reinvested distributions	25,012	-
	25,012	-
Changes in non-cash working capital:		
Accounts payable	60,588	-
Deferred mortgage discount income	22,099	-
	82,687	-
Cash flow from operating activities	107,699	-
<b>Investing activity</b>		
Purchase of investments, net	(1,960,874)	-
Cash flow used by investing activity	(1,960,874)	-
<b>Financing activities</b>		
Advances from related parties	1,000,000	-
Cash subscriptions	875,089	-
Cashflow from financing activities	1,875,089	-
<b>Net change in cash and cash equivalents during the period</b>	<b>21,914</b>	<b>-</b>
Cash and cash equivalents - beginning of period	-	-
<b>Cash and cash equivalents - end of period</b>	<b>\$ 21,914</b>	<b>\$ -</b>
<b>Cash flow supplementary information</b>		
Interest paid	\$ 18,094	\$ -
Income taxes paid	\$ -	\$ -

# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements Three Month Period Ended March 31, 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 Three Month Period Ended March 31, 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 Three Month Period Ended March 31, 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	\$ 29,749
8.501 to 9.000	1	209,346
9.501 to 10.000	1	56,536
10.501 to 11.000	6	264,569
11.001 to 11.500	4	257,683
12.001 to 12.500	3	222,298
12.501 to 13.000	2	68,708
13.001 to 13.500	2	23,145
13.501 to 14.000	7	391,615
14.001 to 14.500	2	105,669
16.001 to 16.500	2	128,516
19.501 to 20.000	2	68,425
22.501 to 23.000	1	143,776
	<hr/>	<hr/>
	34	\$ 1,970,035
Loan loss provision		\$ (9,161)
		<hr/>
		\$ 1,960,874

### 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.

### 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.

# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements Three Month Period Ended March 31, 2008 Unaudited – Management Prepared

---

### 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 and 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 three month period ended March 31, 2008 23,208.72 units were issued for a total subscription price of \$232,087.

Units outstanding, beginning of period	66,801
Units issued	21,513
Units issued on reinvestment	1,696
Units redeemed	
Units outstanding, end of period	<u>90,010</u>

### 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 15<sup>th</sup> 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.

# CAPITAL DIRECT I INCOME TRUST

## Notes to Financial Statements Three Month Period Ended March 31, 2008 Unaudited – Management Prepared

---

### 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.

### 11. ANNUALIZED RATE OF RETURN

<u>Subscription Month</u>	<u>Net Asset Value</u>	<u>Weighted Average Net Asset Value Per Month</u>	<u>Net Income Allocated to Unitholders</u>	<u>Annualized Return</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>%</u>
Initial subscription on settlement	\$ 10			
January 31, 2008	\$ 684,961	684,961	23,637.19	13.804%
February 29, 2008	\$ 185,130	123,420	4,259.08	13.804%
March 31, 2008	\$ 30,000	10,000	345.09	13.804%
	<u>\$ 900,101</u>	<u>818,381</u>	<u>28,241.36</u>	<u>13.804%</u>