

Financial Statements of

**LEITH WHEELER CANADIAN DIVIDEND FUND**

Period from commencement of operations on December 21, 2010 to  
December 31, 2010

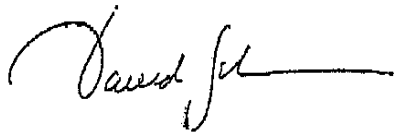
## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Leith Wheeler Canadian Dividend Fund (the “Fund”) have been prepared by the Manager, Leith Wheeler Investment Counsel Ltd. The Manager is responsible for the preparation and presentation of the Fund’s financial statements and the development of internal controls over the financial reporting process.

The Board of Directors of the Manager is responsible for reviewing and approving the financial statements and for overseeing the Manager’s performance of its financial reporting responsibilities. The Board of Directors has approved the accompanying financial statements of the Fund.

KPMG LLP, the external auditors of the Fund, were appointed by the Manager, and the external auditors can only be changed with the prior approval of the unitholders of the Fund. As explained in their auditors’ report, KPMG LLP have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their auditors’ report is included in this Annual Report.

### Leith Wheeler Investment Counsel Ltd.



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David Schaffner  
President and Chief Executive Officer



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Cecilia Wong  
Chief Financial Officer

March 29, 2011



**KPMG LLP**  
**Chartered Accountants**  
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Canada

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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of Leith Wheeler Canadian Dividend Fund

We have audited the accompanying financial statements of Leith Wheeler Canadian Dividend Fund, which comprise the statements of investment portfolio of net assets as at December 31, the statements of operations and changes in net assets for the period from commencement of operations on December 21, 2010 to December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *The Manager's Responsibility for the Financial Statements*

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the statements of investment portfolio and net assets of Leith Wheeler Canadian Dividend Fund as at December 31, 2010, and its statements of operations and changes in net assets for the period from commencement of operations on December 21, 2010 to December 31, 2010 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

March 29, 2011  
Vancouver, Canada

# LEITH WHEELER CANADIAN DIVIDEND FUND

Statement of Investment Portfolio

December 31, 2010

Number of shares	Cost	Fair value	Percentage of net assets
<b>Canadian Equity</b>			
<b>Consumer Discretionary:</b>			
212 Canadian Tire A	\$ 14,274	\$ 14,454	
1,195 Shaw Communications B	25,499	25,454	
	<b>39,773</b>	<b>39,908</b>	<b>11.83%</b>
<b>Consumer Staples:</b>			
506 Alimentation Couche-Tard Sub Voting	13,627	13,682	
682 Saputo Inc.	26,578	26,912	
	<b>40,205</b>	<b>40,594</b>	<b>12.03%</b>
<b>Energy:</b>			
371 Baytex Energy Trust	17,320	17,285	
819 EnCana Corporation	24,070	23,784	
1,292 Pengrowth Energy Trust	16,809	16,486	
	<b>58,199</b>	<b>57,555</b>	<b>17.06%</b>
<b>Financials:</b>			
463 Bank of Nova Scotia	26,127	26,405	
320 Canadian Imperial Bank of Commerce	25,405	25,027	
992 Great-West Lifeco Inc.	26,159	26,149	
342 Industrial Alliance Insurance and Financial Services Inc.	12,343	12,565	
314 National Bank of Canada	21,508	21,478	
277 Royal Bank of Canada	14,415	14,459	
350 TD Bank	25,785	25,935	
	<b>151,742</b>	<b>152,018</b>	<b>45.06%</b>
<b>Industrials:</b>			
240 Canadian National Railway	16,250	15,900	
647 Finning International Inc.	17,543	17,482	
	<b>33,793</b>	<b>33,382</b>	<b>9.90%</b>
<b>Telecom Services:</b>			
348 Rogers Communications Inc. Class B	11,936	12,009	3.56%
<b>Total Canadian Equity</b>	<b>335,648</b>	<b>335,466</b>	<b>99.44%</b>
<b>Total Investment Portfolio</b>	<b>\$ 335,648</b>	<b>335,466</b>	<b>99.44%</b>
<b>Other Assets less Liabilities</b>		<b>1,880</b>	<b>0.56%</b>
<b>Net Assets</b>		<b>\$ 337,346</b>	<b>100.00%</b>

See accompanying notes to financial statements.

# LEITH WHEELER CANADIAN DIVIDEND FUND

Statements of Net Assets

December 31, 2010

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## Assets

Investment portfolio, at fair value	\$	335,466
Cash		1,362
Accrued income receivable		670
		<hr/>
		337,498

## Liabilities

Accounts payable		152
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<b>Net assets representing unitholders' equity</b>	<b>\$</b>	<b>337,346</b>
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### Unitholders' equity allocation by series:

Series A	\$	337,336
Series B		10
		<hr/>
	\$	337,346

### Number of units outstanding (note 8):

Series A	33,778
Series B	1

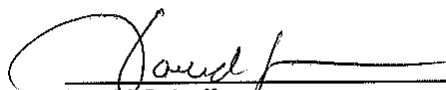
### Net asset per unit (note 3):

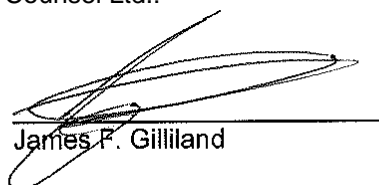
Series A	\$	9.99
Series B		10.00

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See accompanying notes to financial statements.

On behalf of the Manager, Leith Wheeler Investment Counsel Ltd.:

  
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David Schaffner Director

  
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James F. Gilliland Director

# LEITH WHEELER CANADIAN DIVIDEND FUND

## Statements of Operations

Period from commencement of operations on December 21, 2010 to December 31, 2010

Investment income:		
Dividends	\$	505
Other		165
		<hr/> 670
Net investment income		670
Net gain (loss) from investing activities:		
Proceeds from sale of investments		-
Investment portfolio at cost, beginning of year		-
Cost of investments purchased		335,648
Investment portfolio at cost, end of year		<hr/> (335,648)
Cost of investments sold		-
Net realized gain (loss) on sale of investments		-
Change in unrealized depreciation in value of investments		(89)
Transaction costs		<hr/> (245)
Net loss from investing activities		(334)
<b>Increase in net assets from operations</b>	<b>\$</b>	<b>336</b>
<b>Increase in net assets from operations per series:</b>		
<b>Series A</b>	<b>\$</b>	<b>336</b>
<b>Series B</b>		<hr/> -
<b>Increase in net assets from operations per unit:</b>		
<b>Series A</b>	<b>\$</b>	<b>0.01</b>
<b>Series B</b>		<hr/> -

See accompanying notes to financial statements.

# LEITH WHEELER CANADIAN DIVIDEND FUND

## Statements of Changes in Net Assets

Period from commencement of operations on December 21, 2010 to December 31, 2010

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### Series A

Increase in net assets from operations	\$	336
Distributions to unitholders of taxable income:		
Out of net investment income		(670)
Unit transactions (note 8):		
Subscription of units		337,000
Reinvestment of distributions		670
		<hr/> 337,670
Increase in net assets		337,336
Net assets, beginning of period		-
<b>Net assets, end of period</b>	<b>\$</b>	<b>337,336</b>

### Series B

Increase in net assets from operations	\$	-
Distributions to unitholders of taxable income:		
Out of net investment income		-
Unit transactions (note 8):		
Subscription of units		10
		<hr/> 10
Increase in net assets		10
Net assets, beginning of period		-
<b>Net assets, end of period</b>	<b>\$</b>	<b>10</b>

See accompanying notes to financial statements.

# LEITH WHEELER CANADIAN DIVIDEND FUND

Notes to Financial Statements

Period from commencement of operations on December 21, 2010 to December 31, 2010

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## 1. Operations:

The Leith Wheeler Canadian Dividend Fund (the “Fund”) was established under the laws of British Columbia pursuant to a trust indenture between Leith Wheeler Investment Counsel Ltd., as manager (the “Manager”), and CIBC Mellon Trust Company, as trustee. The Fund’s custodian is the Canadian Imperial Bank of Commerce.

The Fund commenced operations on December 21, 2010. Currently authorized series of units are as follows: Series A units do not carry any management fees and are available to investors that satisfy certain criteria related to the nature of the investors and certain other matters as established by the Manager; Series B units are available to all other investors. The Fund has Series A and Series B units outstanding.

## 2. Significant accounting policies:

### (a) Valuation of investments:

Investments are deemed to be held for trading in accordance with Canadian Institute of Chartered Accountants (CICA) Section 3855, *Financial Instruments - Recognition and Measurement* (“Section 3855”) and therefore are recorded at fair value in accordance with CICA Accounting Guideline 18, *Investment Companies*.

Financial instruments carried at fair value are categorized in accordance with CICA Section 3862, *Financial Instruments – Disclosures* (“Section 3862”). Section 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund’s investments.

The three levels of the fair value hierarchy are as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

The fair value of investments as at the financial reporting date is determined as follows:

The fair value of equity securities is generally the closing bid price for a security on the recognized exchange on which it is principally traded.

Bonds and other debt securities are recorded at fair value, usually established using the closing bid price on the over-the-counter market.

# LEITH WHEELER CANADIAN DIVIDEND FUND

Notes to Financial Statements

Period from commencement of operations on December 21, 2010 to December 31, 2010

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## 2. Significant accounting policies (continued):

### (a) Valuation of investments (continued):

Money market securities are valued at amortized cost, which approximates their fair value.

Should the quoted value for a security, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value of the security is estimated by using appropriate valuation techniques. Fair value is determined by the Manager on the basis of the most recently reported information for the security, similar securities and the markets in which the security is active.

Investments in securities of another investment fund are valued on a business day at the net asset value per security calculated in accordance with the offering documents of such a investment fund.

### (b) Investment transactions:

Investment purchase and sale transactions are recorded as of the trade date. Realized gains and losses from investments transactions are calculated on an average cost basis. The period change in the difference between fair value and average cost of securities represents unrealized gains and losses. Brokers' commissions and other transaction charges are immediately charged to net income in the period incurred. Cost of securities presented in the Statement of Investments represents the amount paid for each security, including brokerage commissions and other trading costs, and is determined on an average cost basis.

### (c) Income recognition:

Income from investments is recognized on an accrual basis, with dividends recorded as of the ex-dividend date. Other income includes income from income trusts. Distributions received from income trusts are recognized based on the nature of the underlying components such as income, capital gains, and return of capital.

### (d) Foreign exchange:

Foreign currency amounts are translated into Canadian dollars on the following bases:

- (i) Fair value of portfolio investments, other assets and liabilities at the rate of exchange prevailing on each valuation day.
- (ii) Purchases and sales of portfolio investments, income and expenses at the rate of exchange prevailing on the respective dates of such transactions.

Realized and unrealized gains and losses from foreign exchange are included in realized gain (loss) on sale of investments and change in unrealized appreciation (depreciation) of investments, respectively.

# LEITH WHEELER CANADIAN DIVIDEND FUND

## Notes to Financial Statements

Period from commencement of operations on December 21, 2010 to December 31, 2010

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### 2. Significant accounting policies (continued):

(e) Valuation of each series of units:

A different net asset value is calculated for each series of units of the Fund. The net asset value of a particular series of units is computed by calculating the value of that series' proportionate share of the assets less liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative net assets of each series. Expenses are accrued daily.

(f) Per unit value:

Per unit values for each series of the Fund are calculated as follows:

(i) Net asset value per unit is calculated by dividing the net assets attributable to the series, determined in accordance with Generally Accepted Accounting Principles (GAAP), by the total number of units of the series outstanding at period end.

(ii) Net increase (decrease) in net assets from operations per unit, represents the net increase (decrease) in net assets of the series from operations for the period divided by the daily weighted average units outstanding for the series during the period.

(g) Other assets and liabilities:

For the purpose of categorization in accordance with Section 3855, accrued interest and dividends, receivables for securities issued, amounts due from brokers, the Manager, and other net assets are designated as receivables and recorded at cost or amortized cost. Similarly, amounts due to brokers, accounts payable for securities redeemed, accrued expenses and other liabilities (including market fees payable) are designated as other financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities.

(h) Income taxes:

The Fund qualifies as a unit trust under the *Income Tax Act (Canada)*. The Fund distributes to unitholders the following amounts which would otherwise attract tax in the Fund.

- Monthly net investment income;
- Annually, net realized gain on sale of investment, net of loss carryforwards and other applicable deductions allowed by the taxation authorities.

Accordingly, no provision for income taxes is reflected in the financial statements of the Fund.

# LEITH WHEELER CANADIAN DIVIDEND FUND

## Notes to Financial Statements

Period from commencement of operations on December 21, 2010 to December 31, 2010

### 2. Significant accounting policies (continued):

#### (i) Future accounting change

The CICA will transition publicly accountable entities from Canadian generally accepted accounting principles (GAAP) to International Financial Reporting Standards (IFRS). The Fund's financial statements will be prepared in accordance with IFRS for the fiscal year commencing on January 1, 2013 and will include comparative information prepared on the same basis. The impact of adopting IFRS is expected to be mainly in presentation and additional disclosures in the Financial Statements of the Fund.

### 3. Reconciliation of Net Asset Value to Net Assets:

The calculation of net assets of an investment fund for financial reporting ("Net Assets") differs from the calculation of the net asset value ("Net Asset Value") of an investment fund because Section 3855 requires the fair values of marketable securities to be based on the closing bid quotations, while for trading purposes, these are generally determined at either the last sale price or the midpoint between the closing bid and asked quotations.

Section 14.2 of National Instrument 81-106 ("NI 81-106") issued by the Canadian Securities Administrators requires an investment fund to calculate its daily Net Asset Value for the purchase and redemption of units based on the fair value of the investment fund's assets and liabilities. The Fund has not changed the methodology in this respect. In accordance with NI 81-106, the Net Asset Value per unit compared to the Net Assets per unit and an explanation of the differences between such amounts, are required in the notes to the financial statements.

The impact of applying Section 3855 on the Net Asset Value of the Fund is as follows:

	As at December 31, 2010			Amounts per Unit as at December 31, 2010	
	Net Asset Value (Closing sale/ mid price)	Section 3855 adjustment	Net Assets (Closing bid price)	Net Asset Value (Closing sale/ mid price)	Net Assets (Closing bid price)
Series A	\$ 337,922	\$ (586)	\$ 337,336	\$ 10.00	\$ 9.99
Series B	10	-	10	10.00	10.00

### 4. Fair value of Financial Instruments:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Fund's financial instruments are recorded at fair value or at amounts that approximates fair value in the financial statements.

# LEITH WHEELER CANADIAN DIVIDEND FUND

Notes to Financial Statements

Period from commencement of operations on December 21, 2010 to December 31, 2010

## 4. Fair value of Financial Instruments (continued):

The following table presents information regarding the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2010:

	Assets at fair value as at December 31, 2010			
	Level 1	Level 2	Level 3	Total
Short Term Notes	\$ -	\$ -	\$ -	\$ -
Equities – Long	335,466	-	-	335,466
	\$ 335,466	\$ -	\$ -	\$ 335,466

## 5. Financial instrument risk and risk management:

The investment objective of the Fund is to provide a source of monthly income with the potential for long term growth through capital appreciation and growth in dividends by investing in a portfolio of Canadian common shares, convertible debentures and other equity related securities. The Fund is not restricted by capitalization or industry sector although portfolio diversification is a consideration in the selection of securities for the Fund. Under normal circumstances, the Fund will keep its portfolio fully invested, to the greatest extent possible, in Canadian equity and equity related securities.

The Fund's investment activities expose it to a variety of financial risks. The Statement of Investments presents the securities held by the Fund as at December 31, 2010, and groups the securities by asset type, geographic region and/or market segment. Significant risks arising from the financial instruments held by the Fund are discussed below.

No changes affecting the overall level of risk of investing in the Fund were made during the period. The risks of the Fund will remain as discussed in the most recent Simplified Prospectus.

### (a) Other market risk:

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital.

The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameter of the investment strategy. The Statement of Investments groups securities by asset type, geographic region and/or market segment.

For this Fund, the most significant exposure to other market risk arises from its investment in equity securities. As at December 31, 2010, had the prices on the respective stock exchanges for these securities raised or lowered by 10%, with all other variables held constant, net assets would have increased or decreased by approximately \$33,547 respectively. In practice, the actual trading results may differ and the difference could be material.

# LEITH WHEELER CANADIAN DIVIDEND FUND

Notes to Financial Statements

Period from commencement of operations on December 21, 2010 to December 31, 2010

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## 5. Financial instrument risk and risk management (continued):

### (b) Liquidity risk:

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price.

The Fund's exposure to liquidity risk is concentrated in the daily cash redemptions of units. Therefore, the Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity. The Fund is also subject to the requirements of NI 81-102, where the fund shall not purchase an illiquid asset if, immediately after the purchase, more than 10 percent of the net assets of the fund, taken at market value at the time of purchase, would consist of illiquid assets.

## 6. Management fees and expenses:

In respect of Series A units, the unitholder pays the Manager a negotiated management fee outside the Fund. In respect of Series B units, the Manager is entitled to receive a management fee, calculated daily and paid monthly by the Fund up to a maximum annual rate of 1.40% of the Series B Net Asset Value.

Amounts payable to the Manager by a Series A unitholder, including Harmonized Sales Tax thereon (see note 7), in respect of management fees, are paid directly by unitholders and therefore not included as an expense of the Fund in the Statement of Operations.

The Manager is also entitled to reimbursement of reasonable expenses incurred on behalf of the Fund in connection with charges made for registry and transfer agency services, interest expense, and costs and expenses associated with holding unitholders' meetings.

The Manager may at times absorb certain expenses incurred on behalf of the Funds, in which case such amounts are shown as a deduction from expenses in the Statements of Operations. The Manager is under no legal obligation to continue this arrangement, and may terminate it at any time.

Management fees and subscriptions for units include distributions that may be made to particular unitholders by the Manager in respect of fee reductions agreed between the respective unitholder and the Manager. There were no management fee distributions during the period.

# LEITH WHEELER CANADIAN DIVIDEND FUND

## Notes to Financial Statements

Period from commencement of operations on December 21, 2010 to December 31, 2010

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### 7. Harmonized sales tax:

Effective July 1, 2010, certain provinces have harmonized their provincial sales tax (PST) with the federal goods and services tax (GST).

Investment funds in Canada are required to calculate the HST rate using specific rules. The specific rules and guidance require HST to be calculated using the residency of unitholders and the current value of their interests, rather than the physical location of the fund manager. This results in a blended HST rate that is applied to the management fees and expenses of the Fund.

### 8. Unitholders' equity:

Pursuant to its trust indenture, the Fund has authorized an unlimited number of units, which are redeemable at the option of the unitholders. Issued units are summarized as follows:

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	Outstanding units at beginning of year	Purchased during the year	Reinvested distributions	Redeemed during the year	Outstanding units at end of year
Series A 2010	-	33,711	67	-	33,778
Series B 2010	-	1	-	-	1

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### 9. Income taxes:

The Fund does not have any non tax effected net realized capital losses available for utilization against net realized capital gains in future years. The Fund also has no non-capital loss carryforwards.

### 10. Brokerage commissions:

The total brokerage commissions paid by the Fund during the period were \$93.

### 11. Related party transactions:

As at December 31, 2010, the Manager held 15,030, Series A units and 1 Series B unit of the Fund. In addition, the Leith Wheeler Income Advantage Fund and Leith Wheeler Income Pooled Fund owned 8,722 and 10,026 Series A units of the Fund, which are both under common management. Combined, the holdings represent 100% of this Fund.

A statement of portfolio transactions for the year ended December 31, 2010 will be provided for the Fund, without charge, on request to the Manager:

Leith Wheeler Investment Counsel Ltd.  
400 Burrard Street, Suite #1500  
Vancouver, BC V6C 3A6

Distributions of each Fund are automatically reinvested in units. Unitholders of the Fund are reminded that you can elect to receive your distributions in cash by giving us written notice at least 10 business days before a distribution date. There is no deferred (or contingent) sales or redemption fee payable on redemptions of units.

You can obtain a copy of the current simplified prospectus of the Leith Wheeler Canadian Dividend Fund by calling (604) 683-3391 or toll-free at 1 (888) 292-1122 and asking for the Investment Funds department, by e-mail at [info@leithwheeler.com](mailto:info@leithwheeler.com) or by writing to the Investment Funds Department of Leith Wheeler Investment Counsel Ltd. at 1500 - 400 Burrard Street, Vancouver, BC V6C 3A6.

Our clients are entitled to obtain specific information about Leith Wheeler Investment Counsel Ltd. Our most recent Statement of Financial Condition, a list of our directors and senior officers, and any information about administration proceedings that may relate to the firm or our staff are available upon request.

