

Financial Statements of

**LEITH WHEELER FIXED INCOME FUND**

Years ended December 31, 2010 and 2009

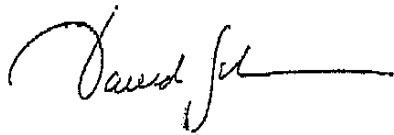
## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Leith Wheeler Fixed Income 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 Fixed Income Fund

We have audited the accompanying financial statements of Leith Wheeler Fixed Income Fund, which comprise the statement of investment portfolio as at December 31, 2010, the statements of net assets as at December 31, 2010 and December 31, 2009, the statements of operations and changes in net assets for the years then ended, 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 audits. 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 statement of investment portfolio of Leith Wheeler Fixed Income Fund as at December 31, 2010, its statements of net assets as at December 31, 2010 and December 31, 2009, and its statements of operations and changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

March 29, 2011  
Vancouver, Canada

# LEITH WHEELER FIXED INCOME FUND

## Statement of Investment Portfolio

December 31, 2010

Face amount	Cost	Fair value	Percentage of net assets
<b>Bonds and Guarantees</b>			
<b>Federal Government Bonds and Guarantees:</b>			
\$ 25,000 Canada 3.75% June 1, 2012	\$ 26,084	\$ 25,771	
243,000 Canada 1.50% December 1, 2012	242,174	242,218	
941,000 Canada 3.50% June 1, 2013	986,442	978,376	
57,000 Canada 3.00% June 1, 2014	57,668	58,730	
450,000 Canada 4.00% June 1, 2016	484,360	483,293	
445,000 Canada 4.00% June 1, 2017	491,689	478,862	
43,000 Canada 8.00% June 1, 2023	64,038	63,325	
884,000 Canada 5.75% June 1, 2029	1,173,952	1,153,183	
9,084,000 Canada 4.00% June 1, 2041	9,923,844	9,882,354	
11,355,000 Canada Housing Trust 4.55% December 15, 2012	12,051,824	11,947,712	
15,422,000 Canada Housing Trust 0.00% March 15, 2014	15,636,950	15,645,619	
1,081,080 National Housing Account MBS 97545784 2.10% August 1, 2014	1,046,864	1,072,832	
	<b>42,185,889</b>	<b>42,032,275</b>	<b>19.37%</b>
<b>Provincial Government Bonds and Guarantees:</b>			
1,683,000 Alberta Capital Financial Authority 4.65% June 15, 2017	1,849,415	1,830,907	
2,169,000 Province of British Columbia 3.70% December 18, 2020	2,127,537	2,161,493	
5,147,000 Province of British Columbia 6.35% June 18, 2031	6,209,537	6,610,658	
2,093,000 Province of British Columbia 4.95% June 18, 2040	2,249,975	2,323,124	
2,686,000 Province of Manitoba 6.30% March 5, 2031	3,106,571	3,412,437	
1,624,000 Province of New Brunswick 4.55% March 26, 2037	1,532,203	1,648,878	
9,713,000 Province of Ontario 4.20% June 2, 2020	9,595,203	10,015,476	
1,847,000 Province of Ontario 8.00% June 2, 2026	2,472,210	2,645,160	
7,000 Province of Ontario 6.50% March 8, 2029	8,281	8,973	
198,000 Province of Ontario 6.20% June 2, 2031	227,633	248,090	
2,007,000 Province of Ontario 5.60% June 2, 2035	2,216,116	2,370,926	
552,000 Province of Ontario 4.70% June 2, 2037	558,366	579,184	
3,364,000 Province of Ontario 4.65% June 2, 2041	3,465,149	3,544,068	
3,336,000 Province of Quebec 4.50% December 1, 2016	3,477,696	3,588,580	
7,266,000 Province of Quebec 4.50% December 1, 2019	7,382,041	7,677,338	
3,364,000 Province of Quebec 6.25% June 1, 2032	3,830,922	4,215,242	
1,938,000 Province of Saskatchewan 5.00% March 5, 2037	2,008,920	2,154,297	
	<b>52,317,775</b>	<b>55,034,831</b>	<b>25.37%</b>
<b>Municipal Government Bonds and Guarantees:</b>			
2,971,000 British Columbia Municipal Financial Authority 4.88% June 3, 2019	3,073,450	3,210,895	
519,000 City of Toronto 4.50% December 2, 2019	517,396	538,008	
	<b>3,590,846</b>	<b>3,748,903</b>	<b>1.73%</b>

# LEITH WHEELER FIXED INCOME FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Face amount	Cost	Fair value	Percentage of net assets
<b>Bonds and Guarantees</b>			
<b>Corporate Bonds:</b>			
\$ 1,337,000 Anheuser-Busch InBev 3.65% January 15, 2016	\$ 1,336,479	\$ 1,342,043	
294,000 Algonquin Credit Card Trust 06-1 C 5.46% July 15, 2011	292,943	295,036	
1,784,000 Algonquin Credit Card Trust 07-1 B 4.79% June 15, 2012	1,780,953	1,788,433	
582,000 Algonquin Credit Card Trust 07-1 C 5.09% June 15, 2012	569,425	576,373	
560,000 Alliance Pipeline LP 4.93% December 16, 2019	560,000	578,531	
35,501 Alliance Pipeline LP 7.18% June 30, 2023	43,326	41,421	
566,277 Alliance Pipeline LP 7.22% December 31, 2025	643,143	667,562	
808,000 Altalink LP 5.24% May 29, 2018	828,798	886,430	
892,000 American Express Canada Credit Corp. 4.85% October 3, 2014	892,171	937,302	
500,000 Bank of Montreal 4.69% January 31, 2011	507,965	501,039	
1,477,000 Bank of Montreal 3.49% June 10, 2016	1,477,000	1,479,406	
535,000 Bank of Montreal Trust 6.17% March 28, 2018	612,821	603,903	
342,000 Bank of Montreal Capital Trust 6 10.22% December 31, 2018	361,602	437,993	
668,000 Bank of Nova Scotia 5.04% April 8, 2013	705,115	707,097	
1,581,000 Bank of Nova Scotia Trust 4.94% April 15, 2014	1,637,685	1,675,662	
1,219,000 Bank of Nova Scotia Bats5 7.80% June 30, 2019	1,299,419	1,399,507	
1,000,000 Bell Canada 6.90% December 15, 2011	1,065,550	1,044,919	
858,000 Bell Canada 4.85% June 30, 2014	856,644	906,508	
553,000 Bell Canada 3.60% December 2, 2015	552,071	553,969	
678,000 Bridgepoint 7.25% August 31, 2042	691,004	791,565	
4,287,000 Broad Credit Card Trust 08-2 A 5.45% June 17, 2013	4,508,856	4,581,169	
947,000 Brookfield Power Corp. 5.25% November 5, 2018	915,004	962,125	
1,246,000 Canadian Western Bank Trust 4.39% November 30, 2015	1,246,000	1,237,882	
666,000 Canadian Credit Card Trust 05-2 B 4.86% April 24, 2012	660,316	681,399	
473,000 CDP Financial Inc. 4.60% July 15, 2020	472,026	491,601	
3,657,000 Canadian Imperial Bank of Commerce 5.00% September 10, 2012	3,845,295	3,828,570	
1,048,000 Canadian Imperial Bank of Commerce 4.75% December 22, 2014	1,111,564	1,118,122	
619,000 Canadian Imperial Bank of Commerce 3.10% March 2, 2015	613,330	620,650	
837,000 Claregold Credit Card Trust 06-1 C 5.12% January 15, 2013	834,013	824,694	
28,401 Canada Mortgage Acceptance Corporation 06-C4 B 4.73% January 15, 2011	28,342	28,338	
1,009,000 Canada Mortgage Acceptance Corporation 06-C5 C 4.85% October 15, 2011	1,004,431	1,000,015	
667,000 Emera Inc. 4.10% October 20, 2014	666,974	689,260	
333,000 Enbridge Inc. 4.53% March 9, 2020	332,972	337,440	
1,084,000 Enbridge Pipeline Trust 4.45% April 6, 2020	1,083,566	1,112,708	

# LEITH WHEELER FIXED INCOME FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Face amount	Cost	Fair value	Percentage of net assets
<b>Bonds and Guarantees</b>			
<b>Corporate Bonds (continued):</b>			
\$ 551,000 Epcor Utilities 5.75% November 24, 2039	\$ 550,218	\$ 592,796	
408,000 Fortis BC Inc. 6.10% June 2, 2039	408,658	471,438	
249,000 Fortis Alberta Inc. 5.37% October 30, 2039	247,954	265,378	
698,000 GE Capital Canada 4.24% June 8, 2015	698,058	717,278	
1,465,000 Glacier Credit Card Trust 06-2 B 4.77% May 20, 2014	1,397,934	1,497,254	
2,828,000 Glacier Credit Card Trust 08-1 B 6.03% February 20, 2013	2,822,167	2,970,220	
211,000 Gloucester Credit Card Trust 04-1 A 5.38% May 15, 2014	224,931	225,941	
877,000 Gloucester Credit Card Trust 06-1 B 4.99% March 15, 2011	871,686	880,110	
1,031,000 Great West Lifeco 6.14% March 21, 2018	1,059,680	1,158,935	
769,000 Great West Lifeco LPII 7.13% June 26, 2018	771,436	860,403	
927,000 Great West Lifeco 4.65% August 13, 2020	927,064	928,410	
35,000 Great West Lifeco 6.67% March 21, 2033	39,067	40,465	
1,226,000 Great West Lifeco 6.00% November 16, 2039	1,262,195	1,322,766	
2,353,000 Halifax Bank of Scotland PLC 5.11% June 21, 2012	2,350,291	2,000,050	
705,000 HSBC 3.56% October 4, 2017	705,000	691,797	
692,000 Hydro One 5.36% May 20, 2036	738,783	735,893	
849,000 Hydro One 5.49% July 16, 2040	847,871	924,040	
1,350,000 Investors Group 6.75% May 9, 2011	1,398,914	1,372,125	
175,000 Manulife Financial 6.65% November 30, 2011	185,558	181,653	
1,811,000 Manulife Financial 5.51% June 26, 2018	1,927,671	1,913,668	
312,300 Maritime & Northeast Pipeline 6.90% November 30, 2019	357,561	353,608	
545,025 Maritime & Northeast Pipeline 4.34% November 30, 2019	545,062	555,123	
492,000 Metro Inc. 5.97% October 15, 2035	487,311	489,069	
1,452,000 Merrill Lynch 4.50% January 30, 2012	1,368,288	1,470,507	
1,101,881 Merrill Lynch Financial Asset 01-Can5 A2 6.79% April 15, 2011	1,158,621	1,107,365	
1,303,141 Merrill Lynch Financial Asset 01-Can6 A2 6.38% November 12, 2011	1,397,507	1,334,778	
3,745,000 Merrill Lynch Financial Asset 02-Can7 A2 6.14% May 12, 2012	3,888,016	3,872,499	
4,482,000 Merrill Lynch Financial Asset 02-Can8 A2 5.74% November 12, 2012	4,614,929	4,667,614	
446,652 Merrill Lynch Financial Asset 04-Can14 A1 4.60% May 12, 2014	448,401	459,063	
585,000 Merrill Lynch Financial Asset 04-Can14 B 5.48% March 12, 2015	586,082	594,585	
29,000 Merrill Lynch Financial Asset 04-Can14 C 5.60% March 12, 2015	27,028	27,638	
650,410 Merrill Lynch Financial Asset 05-Can15 A1 4.17% March 12, 2014	661,530	664,200	
2,677,000 Merrill Lynch Financial Asset 05-Can15 A2 4.82% February 12, 2015	2,658,472	2,771,672	
716,000 Merrill Lynch Financial Asset 05-Can15 C 5.27% March 12, 2015	710,401	670,038	

# LEITH WHEELER FIXED INCOME FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Face amount		Cost	Fair value	Percentage of net assets
<b>Bonds and Guarantees</b>				
<b>Corporate Bonds (continued):</b>				
\$ 146,000	Merrill Lynch Financial Asset 05-Can16 C 4.80% July 12, 2015	\$ 132,266	\$ 132,847	
1,627,000	Merrill Lynch Financial Asset 05-Can17 C 4.93% November 12, 2015	1,620,876	1,480,020	
1,164,000	Merrill Lynch Financial Asset 06-Can18 C 5.04% March 12, 2016	1,153,537	1,041,008	
1,631,000	National Bank of Canada Trust 5.55% November 15, 2013	1,712,104	1,751,295	
541,000	National Bank of Canada Trust 3.15% February 11, 2015	541,000	543,170	
1,366,000	National Bank of Canada Asset Trust 7.24% June 30, 2018	1,480,101	1,574,997	
1,455,000	Plenary Health Hamilton LP 3.16% December 13, 2013	1,455,000	1,452,058	
3,054,000	Real Estate Asset Liquidity Trust 04-1 B 5.25% September 12, 2014	2,999,853	3,058,619	
230,000	Real Estate Asset Liquidity Trust 04-1 C 5.50% October 12, 2014	223,963	220,304	
1,153,000	Real Estate Asset Liquidity Trust 06-2 B 4.71% September 12, 2016	1,144,229	1,100,352	
4,016,000	Royal Bank 3.27% November 10, 2014	4,058,959	4,081,893	
1,459,000	Royal Bank Trust 3.18% November 2, 2015	1,456,097	1,428,748	
1,021,000	Royal Bank 4.93% July 16, 2025	1,020,864	1,043,876	
28,432	Schooner Trust 04-Cf2 A1 4.64% January 12, 2014	28,820	29,085	
2,510,000	Schooner Trust 04-Cf2 A2 5.10% July 12, 2014	2,489,795	2,639,995	
483,000	Schooner Trust 04-Cf2 C 5.59% September 12, 2014	473,242	486,449	
859,000	Schooner Trust 05-4 C 4.57% September 12, 2015	801,018	823,621	
268,000	Schooner Trust 05-4 A2 4.36% September 12, 2015	269,007	272,657	
78,000	Schooner Trust 05-4 B 4.52% September 12, 2015	71,785	76,977	
473,000	Schooner Trust 06-5 C 4.85% February 12, 2016	447,496	451,510	
624,000	Shaw Communications 5.50% December 7, 2020	621,722	631,664	
454,000	Shaw Communications 6.75% November 9, 2039	441,996	447,644	
555,000	Solar Trust 02-1 A2 5.83% August 12, 2012	569,893	577,108	
991,000	Solar Trust 03-Cc1 C 6.00% February 12, 2013	1,050,286	1,014,539	
1,849,000	Sun Life Financial 5.70% July 2, 2019	1,889,486	1,972,478	
2,168,000	Toronto Dominion Bank 5.48% April 2, 2015	2,363,665	2,358,342	
1,703,000	Toronto Dominion Bank 3.37% November 2, 2015	1,706,704	1,682,202	
524,000	Toronto Dominion Bank 5.76% December 18, 2017	488,219	570,433	
1,014,000	Toronto Dominion Capital Trust VI 6 6.63% June 30, 2021	1,014,596	1,099,524	

# LEITH WHEELER FIXED INCOME FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Face amount	Cost	Fair value	Percentage of net assets
<b><i>Bonds and Guarantees</i></b>			
<b>Corporate Bonds (continued):</b>			
\$ 185,000 Terasen Gas 10.30% September 30, 2016	\$ 256,815	\$ 249,232	
454,000 Terasen Gas 6.50% May 1, 2034	501,851	551,640	
450,000 Trans Canada PPL 4.30% January 13, 2011	453,182	450,152	
850,000 Trans Canada PPL 9.50% May 20, 2011	898,620	872,945	
915,781 University of Ontario 6.35% October 15, 2034	915,137	983,301	
557,000 Westcoast Energy 3.28% January 15, 2016	556,515	556,646	
539,000 Westcoast Energy 8.50% September 4, 2018	693,477	689,330	
695,000 Westpac Bank Corp. 3.75% December 1, 2014	703,094	701,322	
	<b>111,086,418</b>	<b>112,615,034</b>	<b>51.90%</b>
<b>Total Bonds and Guarantees</b>	<b>209,180,928</b>	<b>213,431,043</b>	<b>98.37%</b>
<b>Money Market Securities</b>	<b>4,151,943</b>	<b>4,151,943</b>	<b>1.91%</b>
<b>Total Investment Portfolio</b>	<b>\$ 213,332,871</b>	<b>217,582,986</b>	<b>100.28%</b>
<b>Other Assets less Liabilities</b>		<b>(608,300)</b>	<b>(0.28)%</b>
<b>Net Assets</b>		<b>\$ 216,974,686</b>	<b>100.00%</b>

See accompanying notes to financial statements.

# LEITH WHEELER FIXED INCOME FUND

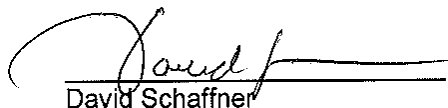
Statements of Net Assets

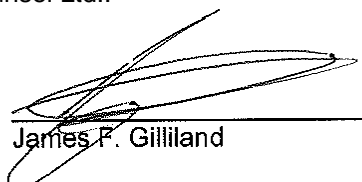
December 31, 2010 and 2009

	2010	2009
<b>Assets</b>		
Investment portfolio, at fair value	\$ 217,582,986	\$ 184,627,380
Cash	302,992	108,140
Subscriptions receivable	-	97,802
Accrued income receivable	1,099,234	931,393
	<u>218,985,212</u>	<u>185,764,715</u>
<b>Liabilities</b>		
Redemptions payable	46,028	42,366
Payable to brokers	1,867,060	-
Management fees payable	97,438	86,244
	<u>2,010,526</u>	<u>128,610</u>
<b>Net assets representing unitholders' equity</b>	<b>\$ 216,974,686</b>	<b>\$ 185,636,105</b>
<b>Unitholders' equity allocation by series:</b>		
<b>Series A</b>	<b>\$ 163,008,432</b>	<b>\$ 133,575,063</b>
<b>Series B</b>	<b>53,966,254</b>	<b>52,061,042</b>
	<u>\$ 216,974,686</u>	<u>\$ 185,636,105</u>
<b>Number of units outstanding (note 8):</b>		
<b>Series A</b>	<b>15,358,579</b>	<b>13,036,305</b>
<b>Series B</b>	<b>5,090,675</b>	<b>5,104,845</b>
<b>Net asset per unit (note 3):</b>		
<b>Series A</b>	<b>\$ 10.61</b>	<b>\$ 10.25</b>
<b>Series B</b>	<b>10.60</b>	<b>10.20</b>

See accompanying notes to financial statements.

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

  
\_\_\_\_\_  
David Schaffner Director

  
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James F. Gilliland Director

# LEITH WHEELER FIXED INCOME FUND

## Statements of Operations

Years ended December 31, 2010 and 2009

	2010	2009
Investment income:		
Interest	\$ 9,026,502	\$ 8,615,358
Expenses:		
Management fees (note 6)	398,019	353,442
Harmonized Sales Tax (note 7)	32,707	17,672
	<u>430,726</u>	<u>371,114</u>
Net investment income	8,595,776	8,244,244
Net gain (loss) from investing activities:		
Proceeds from sale of investments	159,903,446	218,124,660
Investment portfolio at cost, beginning of year	185,723,581	166,054,947
Cost of investments purchased	186,040,728	240,748,423
Investment portfolio at cost, end of year	<u>(213,332,871)</u>	<u>(185,723,581)</u>
Cost of investments sold	<u>158,431,438</u>	<u>221,079,789</u>
Net realized gain (loss) on sale of investments	1,472,008	(2,955,129)
Change in unrealized appreciation in value of investments	5,346,316	5,686,858
Transaction costs	<u>(5,293)</u>	<u>(5,309)</u>
Net gain from investing activities	6,813,031	2,726,420
<b>Increase in net assets from operations</b>	<b>\$ 15,408,807</b>	<b>\$ 10,970,664</b>
Increase in net assets from operations per series:		
Series A	\$ 11,551,703	\$ 8,220,691
Series B	<u>3,857,104</u>	<u>2,749,973</u>
	<b>\$ 15,408,807</b>	<b>\$ 10,970,664</b>
Increase in net assets from operations per unit:		
Series A	\$ 0.84	\$ 0.67
Series B	<u>0.76</u>	<u>0.59</u>

See accompanying notes to financial statements.

# LEITH WHEELER FIXED INCOME FUND

## Statements of Changes in Net Assets

Years ended December 31, 2010 and 2009

	2010	2009
<b>Series A</b>		
Increase in net assets from operations	\$ 11,551,703	\$ 8,220,691
Distributions to unitholders of taxable income:		
Out of net investment income	(6,778,861)	(6,195,416)
Unit transactions (note 8):		
Subscription of units	24,862,034	28,136,549
Reinvestment of distributions	6,778,861	6,195,416
Redemption of units	(6,980,368)	(22,689,520)
	24,660,527	11,642,445
Increase in net assets	29,433,369	13,667,720
Net assets, beginning of year	133,575,063	119,907,343
<b>Net assets, end of year</b>	<b>\$ 163,008,432</b>	<b>\$ 133,575,063</b>
<b>Series B</b>		
Increase in net assets from operations	\$ 3,857,104	\$ 2,749,973
Distributions to unitholders of taxable income:		
Out of net investment income	(1,816,988)	(2,048,720)
Unit transactions (note 8):		
Subscription of units	8,097,078	15,120,040
Reinvestment of distributions	1,813,248	2,030,356
Redemption of units	(10,045,230)	(8,931,699)
	(134,904)	8,218,697
Increase in net assets	1,905,212	8,919,950
Net assets, beginning of year	52,061,042	43,141,092
<b>Net assets, end of year</b>	<b>\$ 53,966,254</b>	<b>\$ 52,061,042</b>

See accompanying notes to financial statements.

# LEITH WHEELER FIXED INCOME FUND

Notes to Financial Statements

Years ended December 31, 2010 and 2009

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## 1. Operations:

The Leith Wheeler Fixed Income Fund (the "Fund") was established under the laws of British Columbia pursuant to various trust indentures between Leith Wheeler Investment Counsel Ltd., as manager (the "Manager"), and Canada Trust Company, as trustee. Effective June 30, 1999, the Fund's trustee was changed to CIBC Mellon Trust Company and the Fund's custodian was changed to the Canadian Imperial Bank of Commerce.

The Fund commenced operations on April 27, 1994. Effective September 20, 2004, the trust indenture for the Fixed Income Fund was amended to allow for an unlimited number of series and an unlimited number of units of each series. 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. Units outstanding prior to September 20, 2004 were reclassified as Series B units. The Fixed Income 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.

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Notes to Financial Statements

Years ended December 31, 2010 and 2009

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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.

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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 year 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 year divided by the daily weighted average units outstanding for the series during the year.

### (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 an open-ended mutual fund trust under the *Income Tax Act (Canada)*. The Fund distributes to unitholders the following amounts which would otherwise attract tax in the Fund.

- Quarterly, 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 FIXED INCOME FUND

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## 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	\$ 163,008,432	\$ -	\$ 163,008,432	\$ 10.61	\$ 10.61
Series B	\$ 53,966,254	\$ -	\$ 53,966,254	\$ 10.60	\$ 10.60

	As at December 31, 2009			Amounts per Unit as at December 31, 2009	
	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	\$ 133,575,063	\$ -	\$ 133,575,063	\$ 10.25	\$ 10.25
Series B	\$ 52,061,042	\$ -	\$ 52,061,042	\$ 10.20	\$ 10.20

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## Notes to Financial Statements

Years ended December 31, 2010 and 2009

### 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.

The following table presents information regarding the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2010 and 2009:

	Assets at fair value as at December 31, 2010			
	Level 1	Level 2	Level 3	Total
Short Term Notes	\$ -	\$ 4,151,943	\$ -	\$ 4,151,943
Bonds (including Mortgage Backed Securities)	-	213,431,043	-	213,431,043
	\$ -	\$ 217,582,986	\$ -	\$ 217,582,986

	Assets at fair value as at December 31, 2009			
	Level 1	Level 2	Level 3	Total
Short Term Notes	\$ -	\$ 3,886,798	\$ -	\$ 3,886,798
Bonds (including Mortgage Backed Securities)	-	180,740,582	-	180,740,582
	\$ -	\$ 184,627,380	\$ -	\$ 184,627,380

There were no transfers between the three levels from December 31, 2010 to December 31, 2009 (December 31, 2008 to December 31, 2009 – nil).

### 5. Financial instrument risk and risk management:

The investment objective of the Fund is to provide a stable and attractive total return through investment in Canadian fixed income securities. The Fund will invest in Government and high-grade corporate bonds, with a varying mix between short term, medium term and longer term maturities depending on the assessment of interest rate trends and prospective returns.

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.

# LEITH WHEELER FIXED INCOME FUND

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Years ended December 31, 2010 and 2009

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

### (a) Interest rate risk:

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

As at December 31, the Fund's exposure to debt instruments by maturity is as follows:

	Less than 1 year	1 - 5 Years	5 – 10 Years	Greater than 10 years	Total
2010					
Fixed income securities	5.4%	45.4%	25.4%	23.8%	100.0%
2009					
Fixed income securities	8.1%	44.8%	24.6%	22.5%	100.0%

As at December 31, 2010, had prevailing interest rates raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the Fund's net assets would have decreased or increased, respectively, by approximately \$13,035,145 (2009 - \$10,608,426). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, actual trading results may differ and the difference could be material.

### (b) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of investments, as presented on the Statement of Investments, represents the maximum credit risk exposure.

As at December 31, 2010, the Fund invested in debt instruments with the following credit ratings (credit ratings are obtained from Standard & Poor's, Moody's, Fitch and/or Dominion Bond Rating Services. Where one or more rating is obtained for a security, the most common rating has been used):

Debt instruments by Credit Rating	Percentage of Debt Instruments	
	2010	2009
AAA	41.3%	45.6%
AA	24.8%	18.2%
A	27.0%	27.4%
BBB	6.9%	8.8%

# LEITH WHEELER FIXED INCOME FUND

Notes to Financial Statements

Years ended December 31, 2010 and 2009

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

### (c) 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 quarterly, equal to 0.75% per annum applied to the Net Asset Value of the respective series.

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 has at times absorbed certain expenses incurred on behalf of the Fund, 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. Such management fee distributions for the year were \$65,534 (2009 - \$55,654).

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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). This resulted in an increase in the management expense ratio of the Series B units of the Fund. "Harmonized sales tax" (HST) on the Statement of Operations represents the total HST (including GST up to June 30, 2010) calculated on all expenses.

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:

	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	13,036,305	2,343,780	641,404	(662,910)	15,358,579
2009	11,890,049	2,765,924	610,948	(2,230,616)	13,036,305
Series B					
2010	5,104,845	770,213	172,384	(956,767)	5,090,675
2009	4,291,732	1,496,242	200,840	(883,969)	5,104,845

## 9. Income taxes:

The Fund has non tax effected net realized capital losses of \$3,954,000 (2009 - \$5,174,000) available for utilization against net realized capital gains in future years. Capital losses have no expiry. The Fund has no non-capital loss carryforwards.

## 10. Brokerage commissions:

The total brokerage commissions paid by the Fund for the year were nil (2009 – nil).

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 Fixed Income 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.

