CHESSWOOD INCOME FUND

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 52-DAYS ENDED

JUNE 30, 2006

CHESSWOOD INCOME FUND

NOTICE TO READERS

Accompanying this notice are the unaudited interim financial statements of the Fund for the 52 days ended June 30, 2006. These statements have been prepared by, and are the responsibility of the Fund's management.

Following consultation with management and with the Fund's independent auditors, the Fund's board of directors concluded that the auditors would not be engaged to perform a review of these financial statements. Under applicable securities legislation, there is no requirement that auditors be engaged to review these statements, but the Fund must advise you if (as noted above) no review engagement is made.

Chesswood Income Fund

Quarterly Report - For the 52-Day Period Ended June 30, 2006

TO OUR UNITHOLDERS

We are pleased to report to our unitholders on our first reporting period as Chesswood Income Fund ("Chesswood" or the "Fund"). Chesswood is a financial services trust created on May 10, 2006 upon the conversion of cars4U Ltd. to an income trust, and the completion of an initial public offering for $57,781,930, the proceeds of which were used for the acquisition of the shares of Pawnee Leasing Corporation, of Colorado.

In an effort to provide you with as much information as possible in this first Quarterly Report, we have included information about Chesswood in the Company Profile section of this report. Please refer to that section as you read this letter and the remainder of this report. The prospectus for our recently completed initial public offering is available on SEDAR at www.sedar.com, and provides additional information on Chesswood and its operating companies.

Our results for this short quarter were ahead of our expectations, and reflected the period in the year which is typically a strong quarter for each of our operating entities. Having successfully completed our IPO and acquisition, we now look forward to focusing on the growth of our businesses.

Our units are listed on the Toronto Stock Exchange under the symbol CHW.UN.

My thanks to the large team of Chesswood managers, staff and advisors who helped us successfully achieve our launch, and to our many investors who share our vision of the opportunities ahead.

Barry Shafran
President & CEO

REPORTING PERIOD

Our first reporting period, which is covered by this Quarterly Report, is the 52-day period from the closing of our initial public offering on May 10, 2006 through June 30, 2006. Prior period comparative financial information of the Fund is not available and, under purchase accounting principles generally accepted in Canada, has not been presented.

COMPANY PROFILE

Chesswood Income Fund ("Chesswood" or the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust. The Fund was created to indirectly acquire, (i) all of the shares in Pawnee Leasing Corporation ("Pawnee"), a Colorado company, and (ii) all of the shares of cars4U Ltd., pursuant to a Plan of Arrangement under the *Business Corporations Act* (Ontario).

Through its interest in Pawnee, the Fund is involved in the business of micro and small-ticket equipment leasing to small businesses in the start-up and "B" credit market in the lower 48 states of the United States. Through its interests in Lease-Win Limited ("Lease-Win") and Sherway LP, the Fund is involved in leasing automobiles, and selling, servicing and leasing Acura automobiles, in the Province of Ontario.

The prospectus for our recently completed initial public offering is available on SEDAR at www.sedar.com, and provides additional information on Chesswood and its operating companies.

BUSINESS OF PAWNEE

Pawnee is an equipment leasing company that provides lease financing on micro and small-ticket business equipment. Pawnee focuses on small businesses in the start-up and ‘‘B’’ credit segment of the U.S. leasing market, servicing the lower 48 states through a network of 550 independent brokers. As of June 30, 2006, Pawnee administered over 7,300 leases in its portfolio with remaining scheduled lease payments of approximately U.S.$110.0 million over the next five years.

Pawnee finances equipment leases where generally:

(i) the equipment is fundamental to the core operations of the lessee’s business;
(ii) the cost of the equipment does not exceed U.S.$30,000;
(iii) a personal guarantee of at least the major shareholder/owner is obtained and at least one of the guarantors has a strong personal credit history; and
(iv) all scheduled lease payments are required to be paid by direct debit out of the lessee’s account.

Pawnee’s business does not involve leasing of consumer goods.

A key aspect of Pawnee’s business is managing potential risks in order to limit defaults to the greatest extent possible. Pawnee has developed a number of risk management tools and processes which it continually monitors and improves to match changes in its market and in the equipment leasing industry.

Management believes that Pawnee is the leading micro and small-ticket funding source available to equipment leasing brokers and lessors in the start-up equipment leasing market in the U.S. and is a well-recognized player in the ‘‘B’’ credit market. Pawnee’s success in its higher risk niche markets is due to Pawnee’s proven ability to select credit worthy businesses through its proprietary credit analysis matrix and process, and its efficient service and collection processes.

The start-up and ‘‘B’’ credit segment of the micro and small-ticket leasing market has historically been, and continues to be, more sensitive to monthly lease payment amounts than to the effective rates. As a result,

(i) Pawnee’s revenue as a percentage of its net investment in leases has consistently exceeded 30%, and has for the last 3 fiscal years been approximately 35%, and
(ii) Pawnee’s pre-tax profit margin has consistently exceeded 10%.

Pawnee’s business model is different from certain other leasing, consumer sub-prime mortgage and finance companies in a number of important respects, including the following:

- unlike sub-prime mortgage companies, Pawnee does not provide funding to the residential consumer, and funds only ‘‘business essential’’ commercial equipment,

- Pawnee does not sell its leases, but rather retains its leases for their full term,

- Pawnee’s revenues are derived directly from its leases and are not derived from (and therefore, and more importantly, Pawnee’s revenues are not dependent upon) fees from the sale of its portfolio of leases, and

- not only is there significant geographic diversification (within the United States) within Pawnee’s portfolio of leases, there is also significant diversification in terms of the products funded and significant diversification in terms of the industries in which Pawnee’s lessees operate.

Pawnee’s revenues and funding are not dependent upon continuously finding third party buyers for its lease portfolio (where demand is driven by factors such as prevailing interest rates and the quality of other available portfolios and other available investments), rather Pawnee has a continuing lending facility.

The business of Pawnee accounted for approximately 90% of the consolidated Adjusted EBITDA (see “Non-GAAP Measures” in our MD&A below) of the Fund for the 52-day period ended June 30, 2006.

As of June 30, 2006, Pawnee employed approximately 41 full-time equivalent employees of which over one-third are specifically dedicated to collection and default remediation.

LEASE-WIN AND SHERWAY LP

Founded in 1971, Lease-Win leases predominantly new vehicles of all makes to individual and corporate clients (lessees). Over the past decade, leasing has become a popular and growing alternative to automobile ownership as retail leasing of new vehicles in Canada has grown from 4% in 1990 to approximately 40% in 2001, and has been in the 35% – 40% range since 2001 according to DesRosiers Automotive Consultants Inc.

Lease-Win currently has approximately 2,000 leases in its portfolio under administration with remaining scheduled lease payments totaling approximately $63.8 million as at June 30, 2006. Virtually all of Lease-Win's leases are open-ended leases, which limits Lease-Win's exposure to losses where the fair market value of a leased vehicle is less than its residual value at the end of a lease term.

The Acura Sherway dealership sells new Acura brand vehicles and related automobile services and products, and also sells used vehicles of various brands.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") is a review of the financial condition and results of operations of Chesswood Income Fund (the "Fund" or "Chesswood"). It should be read in conjunction with the interim unaudited consolidated financial statements and accompanying notes of the Fund for the period ended June 30, 2006 and with the final prospectus of the Fund dated May 2, 2006. The financial statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The fiscal year of the Fund ends on December 31. The date of this MD&A is August 14, 2006.

This discussion contains forward-looking statements. Please see "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements. This discussion also makes reference to certain non-GAAP measures to assist in assessing the Fund's financial performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Non-GAAP Measures" for the definition of and reconciliation to GAAP measures of EBITDA, Adjusted EBITDA and Distributable Cash.

OVERVIEW

Chesswood is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. Through its interest in Pawnee Leasing Corporation ("Pawnee"), the Fund is involved in the business of micro and small-ticket equipment leasing to small businesses in the start-up and "B" credit market in the lower 48 states of the United States. Through its interests in Lease-Win and Sherway LP, the Fund is involved in leasing automobiles and selling, servicing and leasing Acura automobiles in the Province of Ontario.

The business operations of Pawnee accounted for approximately 86% of the total assets of the Fund and approximately 90% of the consolidated Adjusted EBITDA (see "Non-GAAP Measures") of the Fund for the 52-day period ended June 30, 2006.

Initial Public Offering

Chesswood is a financial services trust created on May 10, 2006 upon the conversion of cars4U Ltd. to an income trust, and the completion of an initial public offering for $57,781,930, the proceeds of which were used for the acquisition of the shares of Pawnee.

On May 10, 2006, under a Plan of Arrangement, the Fund directly acquired all of the assets and undertaking of cars4U Ltd. and its subsidiaries by the issuance of 1,240,230 Fund Units in exchange for the outstanding shares of cars4U Ltd.

The Fund filed a prospectus dated May 2, 2006 for its initial public offering, which closed on May 10, 2006, for the sale to the public of 5,778,193 Fund Units at a price of $10 per unit for net proceeds of approximately $51,055,000, after deducting expenses of the offering and related transactions and underwriters' fees totaling $8.0 million. cars4U Ltd. utilized approximately $1.2 million of its own funds to cover expenses of the initial public offering.

The Fund indirectly acquired Pawnee through Chesswood U.S. Acquisition Co Ltd. ("U.S. AcquisitionCo") for a combined total of US$43.4 million in cash and US$13.3 million through the issue of approximately 1.3 million Class B shares of U.S. Acquisitionco (which are exchangeable, for no additional consideration, on a one-for-one basis for Fund Units from and after November 8, 2008) and approximately 204,000 Class C shares of U.S. Acquisitionco (which have the same exchange rights as the Class B shares, but which are exchangeable at any time); and provided US $1.0 million to Pawnee for working capital and US$1.5 million to Pawnee as reimbursement of the repurchase price of outstanding stock appreciation rights at Pawnee.

The prospectus for our recently completed initial public offering is available on SEDAR at www.sedar.com, and provides additional information and should be read in conjunction with this quarterly report, management discussion and analysis, financial statements and notes thereto.

Our first reporting period, which is covered by this Quarterly Report, is the 52-day period from the closing of our initial public offering on May 10, 2006 through June 30, 2006. Prior period comparative financial information of the Fund is not available and, under generally accepted accounting principles accepted in Canada, has not been presented.

FORWARD-LOOKING STATEMENTS

In this report management make statements that are considered forward-looking statements. Forward-looking information consists of disclosure regarding possible events, conditions or results that is based on assumptions about future economic conditions and courses of action. Wherever used, the words "may", "could", "should", "will", "anticipate", "intend", "expect", "plan", "predict", "believe", and similar expressions identify forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management, but indicate management's expectations of future growth, results of operations, business performance, and business prospects and opportunities.

Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at which, such performance or results will be achieved. Forward-looking statements are based on information available at the time they are made, assumptions made by management, and management's good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in forward-looking statements, historical results or current expectations. The Fund assumes no obligation to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

KEY PERFORMANCE INDICATORS - PAWNEE

Management regularly evaluates and analyzes the following key performance indicators to more effectively operate our business: lease application, approval and origination volume, asset quality, and operating efficiency.

Lease Application, Approval and Origination Volume
Management regularly reviews lease application, lease approval and lease origination volume, for trends that may indicate changes in the economic or competitive landscape that may necessitate adjustments in Pawnee's approach to doing business in its market segment. Pawnee uses this data in its forecasting and budgeting process. Management reviews application approval data to analyze and predict shifts in the credit quality of Pawnee's lease applicants, and looks at individual broker or lessor approval rates to determine whether a broker or lessor is submitting applications that meet Pawnee's credit criteria. Pawnee refers to total lease originations as a percentage of leases approved as the close ratio. Pawnee tracks and reviews the close ratio to aid management in determining the efficiency and effectiveness of Pawnee's origination processes. Deterioration in any of these key metrics will result in a more detailed review which may include review of broker, industry or equipment type, equipment cost, or geographic areas for specific results. Data relating to these key metrics are shown for the periods indicated and the amounts are measured at the original equipment cost.

Pawnee completed its twenty-third consecutive year with successive increases in numbers of applications, approvals, and lease originations. The close ratios for lease approvals and lease application remained relatively stable although there has been a gradual decline in both ratios during the past three years as credit markets have expanded, and conventional lenders have widened their criteria with respect to the credit quality of customers they are willing to advance credit to. This has resulted in fewer deals that fit our credit matrix as some of the better quality transactions have transitioned to other finance sources.

Asset Quality
Pawnee is a niche specialty leasing company that is focused on doing business with commercial enterprises that are not normally considered by conventional financing sources and that generally have a higher risk profile. This exposes the firm to a greater risk level, however, management has built an operating model that is based on managing this risk. Pawnee is able to generate greater margins with lower volume than typical lease or finance companies.

Risk management begins with carefully selecting which independent brokers Pawnee does business with. All brokers must have personal credit profiles acceptable to Pawnee, industry references and preferably have been active in the equipment leasing industry for a minimum of one year. Three regional marketing managers are responsible for training and developing a knowledge base with new and existing brokers regarding Pawnee's underwriting policies and procedures. This training process is very important to ensure that neither the broker nor Pawnee spend extraordinary time in reviewing and handling applicants that can't meet the basic qualifications. The managers are also responsible for monitoring the brokers for credit application review and closing efficiencies, applications submitted, approved and ultimately funded.

The Pawnee credit process is not an automated scoring procedure typical of high volume leasing companies. A credit analyst reviews each application and completes a proprietary credit matrix, which is used as a guide for reaching a prudent credit decision manually. The matrix is designed to ensure that all of Pawnee's analysts are consistent in their review of all applications. Analysts are available to directly assist brokers submitting lease applications and communicate credit decisions including what would make an applicant more likely to be approved. Four basic principles underscore all credit decisions: (i) all business owners must personally guarantee the lease and must therefore submit their personal credit information for consideration; (ii) all scheduled lease payments must be paid through direct debit; (iii) all leases must be on our standard proprietary lease documentation; and (iv) all leases assigned to Pawnee must be approved by Pawnee in accordance with the same criteria used in originating its own leases.

Operating Efficiency
Pawnee manages operating performance using a comprehensive budgetary review process. Included in this review are line-item-level comparisons of revenues and expenses to budget and trend data for the period then ended. If management finds there is a significant or unusual variance from our budget or expectations, management will review the variance in detail and take corrective action, if necessary. Management regularly updates our budget and forecasting model using actual results. Management focuses its attention on significant changes from prior projections and takes appropriate action, as necessary.

Pawnee's static pool loss analysis measures lease loss performance by identifying a finite pool of lease originations and segmenting this pool into discrete monthly, quarterly or annual vintages according to when the leases were originated. Pawnee also monitors static pool performance by broker, equipment type and industry to identify lease loss performance falling outside of expected ranges. Poorly performing brokers, equipment types and industries are reviewed in more detail to determine if there is a systematic or other identifiable cause on which we can take corrective action. For example, if management determines that the company has unusually high losses on leases for a particular type of equipment, management may raise the minimum required credit matrix score for those leases to be approved or stop originating leases of that equipment type altogether.

KEY PERFORMANCE INDICATORS - Lease-Win

Lease Applications and Origination Volumes
Management regularly reviews lease applications for trends that may indicate changes in the economic or competitive landscape that may necessitate adjustments or changes in our pricing and/or processes. In addition, we track, analyze and compare - to the prior periods and to one another - the volume and margin performance of our leasing sales staff, in order to support and help drive volume and profitability in our vehicle fleet.

Credit Profiles
Lease-Win is an 'A' lessor that provides leasing services to lessees that are of 'A' or higher credit quality, or have guarantors and/or co-lessees of this quality. Notwithstanding this origination requirement, lessee credit profiles can change once a lease has commenced. Lease-Win reviews its accounts receivable ageing regularly in order to identify, when possible, potential changes in the credit worthiness of

lessees, based primarily on any changes that may appear in payment patterns. It uses this process in order to be proactive in the protection of its leased assets.

OEM Lease Pricing and Short and Long-Term Bond Pricing
Management of Lease-Win monitors the lease pricing offered by the vehicle manufacturers in order to more competitively position the products the Company's leasing representatives can offer customers. Short and long-term bond prices are watched closely as well, in order to help manage the Company's cost of capital and to aid in the determination of interest rates for its lease products.

KEY PERFORMANCE INDICATORS - Acura Sherway

Gross Margins
Management monitors and analyzes a number of key indicators of the dealership's operations, by profit centre/department. One key indicator for each department is the level of gross margins being generated - on a per unit and total volume basis. This measure, along with other metrics that may vary amongst departments, as applicable, is monitored daily. The analyses of these various metrics allows management to react quickly to trends, concerns and opportunities in each department, on a daily, weekly and/or monthly basis.

Absorption Rate
The extent to which the profits from the fixed operations of the dealership (service and parts profit centres) offset the fixed costs of the rest of the dealership is known as the Absorption Rate. Management uses this measure as well to assess the overall performance of its fixed operations.

NON-GAAP MEASURES

The Fund provides non-GAAP (generally accepted accounting principles) measures as supplementary information. Management believes EBITDA, Adjusted EBITDA and distributable cash are useful measures in evaluating the performance of the Fund and in determining whether to invest in units. Specifically, Management views distributable cash as an operating performance measure, as it is a measure generally used by Canadian income funds as an indicator of financial performance. As the Fund will distribute substantially all of its cash on an on-going basis and since EBITDA and Adjusted EBITDA are metrics used by many investors to compare issuers on the basis of the ability to generate cash from operations, Management believes that, in addition to net income (loss), EBITDA and Adjusted EBITDA are useful supplemental measures from which to make adjustments to determine distributable cash.

EBITDA, Adjusted EBITDA and distributable cash are not earnings measures recognized by generally accepted accounting principles in Canada (‘‘GAAP’’) and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and distributable cash may not be comparable to similarly titled measures presented by other issuers. Investors are cautioned that EBITDA, Adjusted EBITDA and distributable cash should not be construed as an alternative to net income (loss) determined in accordance with GAAP as indicators of Chesswood’s performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

Management believes that cash flows from operations is not an appropriate measure from which to derive distributable cash because normal day-to-day leasing and vehicle financing transactions are grouped under financing and investing activities in accordance with GAAP and therefore cash flows from operations do not reflect these core activities.

Definition of EBITDA and Adjusted EBITDA

EBITDA is defined as net income (loss) adjusted to exclude interest, income taxes, depreciation and amortization (“EBITDA”).

Adjusted EBITDA is defined as EBITDA adjusted for (i) interest on leasing and vehicle credit lines, (ii) non-cash gain (loss) on interest rate swaps, (iii) non-cash unrealized gain (loss) on foreign exchange, (iv) elimination of AcG-12 from Lease-Win’s results to provide for a constant yield basis of revenue recognition over the term of Lease-Win’s securitized leases, and (v) non-cash unit compensation expenses. See “Distributable Cash” for a reconciliation of EBITDA and Adjusted EBITDA to net income.

Definition of Distributable Cash

Distributable cash is defined as Adjusted EBITDA (as defined above) less commissions paid in excess of commissions amortized, interest expense on convertible debentures and mortgage, maintenance capital expenditures, current income taxes and additional reserves as may be considered necessary. See "Distributable Cash" for a reconciliation of Distributable Cash to net income.

SELECTED QUARTERLY FINANCIAL INFORMATION

($ thousands except per unit figures)	For the 52-day period ended June 30, 2006
Revenue	$12,810
Income before tax and non-controlling interest	2,033
Net income before non-controlling interest	1,318
Net income	1,089
Basic and diluted income per unit	$0.16
Other Data	
Adjusted EBITDA *(1)*	$2,699
Distributable cash *(1)*	1,718
Distributions declared (unitholders & non-controlling interest)	1,362
Distributions declared per unitholder *(1)*	$0.1607

(1) Adjusted EBITDA and Distributable cash are non-GAAP measures. See "Non-GAAP Measures" for a definition of EBITDA, Adjusted EBITDA and Distributable cash. See" Distributable cash" for a reconciliation of EBITDA, Adjusted EBITDA and Distributable cash to net income.

RESULTS OF OPERATIONS FOR THE 52-DAY PERIOD ENDED JUNE 30, 2006

Direct financing lease income totaled $4.3 million during the period, which was in-line with the growth in the equipment lease portfolio. The number of leases outstanding was in line with management's expectations, while maintaining average yield targets.

Ancillary lease and other income totaled $1.0 million, which is consistent with historical results.

Revenue from vehicles and related automotive operations totaled $7.5 million in the 52-day period and predominantly related to vehicle sales. Given the automotive operations cost of sales of $6.6 million, the Canadian automotive operations (excluding leasing and ancillary leasing revenue of approximately $520,000) generated $893,000 in gross profit.

Expenses of $4.1 million were consistent with management's expectations. Provision for credit losses were consistent with historical levels.

The majority of the loss on foreign exchange is represented by the unrealized foreign exchange loss of $291,284 from the valuation of foreign exchange hedge contracts outstanding at June 30, 2006. The Fund has entered into foreign exchange contracts to manage its exposure to the U.S. dollar as significant cash flows are generated in the U.S. The Fund sells specific amounts of currencies at predetermined rates and exchange rates, which are matched with the anticipated operational cash flows. Contracts in place at June 30, 2006 include future contracts of US$22,581,422 until 2009 at a weighted average exchange rate of CDN $1.089 per US$ 1.00. The Fund receives a monthly market valuation from its bank counterparty that is utilized in determining the unrealized gain or loss of the foreign currency contracts. The unrealized gains and losses on these contracts represent the changes in their fair values due to exchange rate fluctuations in each period. The fair value of the foreign exchange contracts are recorded as a liability of $291,284 and is included in accounts payable and accrued liabilities.

The Fund reported consolidated net income of $1.1 million, or $0.16 per trust unit during the 52-day period ended June 30, 2006.

Distributable Cash

The Fund distributes $0.0958 per unit monthly as disclosed in our May 2, 2006 prospectus. Distributable cash is not a defined term under accounting principles generally accepted in Canada ("GAAP"), but is derived from Adjusted EBITDA, which in turn is derived from net earnings, which is a measure recognized under Canadian GAAP. Management believes distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash available for distribution to unitholders. Distributable cash, however, should not be used as an alternative to using net income as a measure of profitability or as an alternative to the statement of cash flows. Our method of calculating distributable cash may not be comparable to similarly titled amounts reported by other companies.

Distributable cash for the 52-day period ended June 30, 2006 was as follows:

Net Income	$ 1,088,856
Add:	
Interest expense	682,637
Income tax provision	714,503
Amortization expense	176,584
Non-controlling interest	229,372
EBITDA *(1)*	2,891,952
Add:	
Non-cash unrealized foreign exchange loss	265,932
Elimination AcG-12 in Lease-Win results	103,561
Unit-based compensation	74,045
	3,335,490
Less:	
Interest on leasing lines	628,513
Gain on interest rate swaps	8,234
Adjusted EBITDA *(1)*	2,698,743
Less:	
Income Taxes - current	675,000
Commissions paid in excess of commissions amortized	242,999
Maintenance capital expenditures	8,560
Interest on long-term debt	54,125
Distributable cash *(1)*	$1,718,059
Total distributions declared to unitholders & non-controlling interest	$1,362,576
Distributions declared per unitholder	$0.1607

(1) EBITDA, Adjusted EBITDA and Distributable cash are non-GAAP measures. See "Non-GAAP Measures" for a definition of EBITDA, Adjusted EBITDA and Distributable cash.

BALANCE SHEET

Total assets of the Fund at June 30, 2006 were $176.1 million; over half of these assets represent Pawnee and Lease-Win's net investment in direct financing lease receivables.

Accounts receivable totaled $1.2 million at June 30, 2006. The accounts receivable balance principally relates to the Acura Sherway dealership and includes amounts due from the manufacturer and financing contracts in transit, which are typically collected within seven to ten days.

Inventory totaled $8.5 million at June 30, 2006. Vehicle inventory is financed through vehicle financing credit facilities of which $8.1 million was outstanding at June 30, 2006, leaving $0.4 million of the inventory self-financed. Vehicle inventory balances at dealerships fluctuate throughout the year based on seasonality, and sales volumes of the industry.

Inventory	June 30, 2006
New and demonstrator vehicles	$6,072,784
Used vehicles	2,303,536
Parts and other	78,539
	$8,454,859

As at June 30, 2006, total net investment in leases totaled $95.5 million. The gross lease receivable of leases under administration as at June 30, 2006 was approximately $129.9 million. Pawnee's gross lease receivable represents $122.6 million of the $129.9 million in total gross lease receivable outstanding at June 30, 2006. The $95.5 million in net investment in leases is net of $6.4 million in allowance for doubtful accounts. At Pawnee, the allowance for doubtful accounts represents 7.4% of the net investment in lease receivables less security deposits on hand. Unlike certain other equipment leasing and finance companies, Pawnee does not sell any of its lease receivables portfolio. All receivables originated by Pawnee are retained for their full term. Pawnee funds its leases through a floating rate facility offered by a banking syndicate discussed below and in the notes to the financial statements.

Included in the net investment in lease receivable balance is $2.9 million in securitized lease receivables at Lease-Win, relating to $49.5 million in assets under administration (net book value). Lease-Win has used securitization as its preferred method of funding its leasing activities since July 1997. These securitization transactions have an off-balance sheet component, see "Critical Accounting Policies and Estimates".

Prepaid expenses totaled $1.4 million at June 30, 2006. Some of the more significant balances included in this amount included approximately $360,000 of deferred financing costs and $317,000 fair value of interest rate swaps.

Property and equipment predominantly relates to the land and building located at 4077 Chesswood Drive, Toronto, Ontario and equipment at Sherway LP in Etobicoke, Ontario. Approximately 93% of the Fund's property and equipment is located in Ontario.

Listed below are the identifiable intangible assets recognized upon the acquisition by the Fund of Pawnee and the cars4U group of companies. The Fund engaged an independent valuation firm to determine the fair value of its identifiable intangible asset values. Trade names and the framework agreement are indefinite-lived assets and are not amortized, but rather will be evaluated for impairment at least annually. Fair value is largely estimated by discounting projected future cash flows.

Intangible assets – net of amortization	June 30, 2006
Trade names	$6,445,300
Broker relationships	6,144,164
Customer relationships	1,715,658
Framework agreement	1,300,000
Computer systems	346,587
	$15,951,709

Goodwill represents the difference between business acquisition costs, using the purchase method of accounting, and the fair value of the net tangible assets and identifiable intangible assets acquired. Goodwill will be tested for impairment annually. The Fund will assess its goodwill on a single unit reporting basis.

Goodwill	June 30, 2006
Pawnee	$38,756,316
cars4U group of companies	6,568,159
	$45,324,475

Loans payable to unitholders which total $70,000, bear interest at the prime bank rate plus 1%, and are payable quarterly and are due 21 days after demand and have been outstanding since 1985.

Long-term debt is comprised of the following components:

	June 30, 2006
Line of credit (a)	$48,502,500
Convertible debentures payable (b)	3,500,000
Mortgage payable (c)	987,786
Floating rate lease financing (d)	2,721,782
	$55,712,068
less: current portion	2,772,569
	$52,939,499

(a) Pawnee has a credit facility that allows borrowings of up to US$57,500,000, subject to, among other things, certain percentages of eligible gross lease receivables, of which US$43,500,000 was utilized at June 30, 2006. This credit facility is secured by substantially all of Pawnee's assets, contains negative covenants including the maintaining of leverage and interest coverage ratios, requires Pawnee to mitigate its interest rate risk by entering interest rate swaps for a notional amount not less than 50% of the aggregate commitment, and matures on May 10, 2009. See note 12 for information relating to interest rate swaps affiliated with this credit facility.

(b) The convertible debentures were issued by cars4U Ltd. in February 10, 2003 in the principal amount of $3,500,000 collateralized convertible debentures (the "Debentures"). The Debentures bear interest at the rate of 9% per annum, payable quarterly, and are due on August 10, 2007. The Debentures are convertible into Fund Units, at the holders' option, at a conversion price of $15.58 per Fund Unit. The Debentures will be automatically converted into Fund Units in the event that the 20-day average price for the Fund Units is at least $20.16 per Fund Unit.

Debentures in the principal amount of $2,080,000 (out of the aggregate $3,500,000 principal amount of the Debentures) were issued to directors of Chesswood GP Limited, which is a 100% owned subsidiary of the Fund.

(c) The mortgage, which had an original principal amount of $1.1 million bears interest at the rate of 7.25% per annum, is payable in monthly installments of principal and interest of $9,975, is due December 18, 2013 and is secured by the land and building located at 4077 Chesswood Drive, Toronto, Ontario.

(d) The floating rate lease financing relates to Lease-Win leases that are financed through a Canadian chartered bank and not securitized. The leases financed through the bank have certain characteristics that make them ineligible for securitization, such as: age of vehicle, length of term, or concentration of leases from certain customers. The lease financing is repaid over the term of the underlying leases, but is due on demand and thus must be classified as current even though the scheduled payments are over the life of the underlying leases.

The majority of the customer security deposits relate to security deposits held by Pawnee. Pawnee's standard lease contract requires that the lessee provide two payments as security deposit (not advance payments), which are held for the full term of the lease and then returned or applied to the purchase option of the equipment at the lessee's request, unless the lessee has previously defaulted (in which case the deposit is applied against the lease receivable). Historically, a very high percentage of customers' deposits are applied to the purchase option of the leased equipment at the end of the lease term. The security deposits are aged based on the term of the underlying leases.

Future income taxes at June 30, 2006 totaled $16.6 million. The provision for income taxes for the 52-day period ended June 30, 2006 was $714,500. The Fund is subject to United States federal income taxes because the Pawnee business operates in the United States and subject to Canadian federal and provincial income taxes because Lease-Win operates in Canada. The structure of the Fund, similar to other income fund structures, includes inter-company debt that generates inter-company interest expense. Taxes payables and therefore the calculation of income tax expense have been reduced by this inter-company interest expense. Income taxes in Pawnee and Lease-Win are provided for using the asset and liability method of accounting, this method recognizes future tax assets and liabilities that arise from differences between the accounting basis of the subsidiaries' assets and liabilities and their corresponding tax basis.

Non-controlling interest of $12.4 million represents the 1,274,601 Class B shares and 203,936 Class C shares of US AcquisitionCo, that were issued as partial consideration for the acquisition of Pawnee. The shares are fully exchangeable for Fund Units, on a one-to-one basis, through a series of steps. These Class C shares may be exchanged at any time and the Class B shares may be exchanged after November 8, 2008. These exchangeable shares have been classified as a non-controlling interest in the consolidated financial statements. The Class B shares are entitled to distributions provided that certain minimum distributions on the Fund Units and the Class C shares of US AcquitisitionCo have been made. As the Class B shares are subordinated until November 8, 2008 and their distributions are restricted if certain minimum distributions have not been made, thus they have been valued with a discount rate of 7.5 percent per EIC 151 - Exchangeable Securities Issued By Subsidiaries Of Income Trusts.

At June 30, 2006, there were 7,018,716 Fund Units outstanding totalling $63.6 million. On May 10, 2006, under a Plan of Arrangement, the Fund directly acquired all of the assets and undertaking of cars4U Ltd. and its subsidiaries by the issuance of 1,240,230 Fund Units in exchange for the outstanding shares of cars4U. The Fund filed a prospectus dated May 2, 2006 for its initial public offering, which closed on May 10, 2006, for the sale to the public of 5,778,193 Fund Units at a price of $10 per unit for net proceeds of $51.1 million, after deducting expenses of the offering and related transactions and underwriters' fees totaling $8.0 million, of which $1.4 million of costs where allocated to non-controlling interest. Cars4U Ltd. utilized approximately $1.2 million of its own funds to cover expenses of the initial public offering.

Deferred purchase consideration relates to the estimated cost of the contingent consideration payable relating to the February 25, 2004 acquisition of the shares and business operations (representing primarily intangible assets) of KRGcars4U Inc. by Lease-Win. The deferred purchase consideration was payable in common shares of cars4U Ltd. in August 2006 and is shown in the equity section. The maximum number of cars4U Ltd. shares, which could have been issued under the purchase agreement was 500,000 shares. The contingent consideration is now payable through the issue of Fund Units. The maximum number of Fund Units issuable under the purchase agreement is 27,100, which translates to a value of $271,000.

LIQUIDITY AND CAPITAL RESOURCES OVERVIEW

The Fund's primary sources of cash have been cash flows from operating activities, and borrowings under its various subsidiaries credit facilities. The Fund's primary uses of cash are to fund equipment and vehicle leases originated, long-term debt principal payments and distributions to unitholders and non-controlling interest. The majority of the cash required for the acquisition of businesses and related costs was raised through the Fund's initial public offering.

The Fund's subsidiaries' objective is to maintain low cash balances, investing any free cash in leases as needed and using any excess to pay down debt on the primary financing facilities. The subsidiaries fund working capital needs, lease originations and growth, using advances under credit facilities available when operating cash flow is not sufficient. At June 30, 2006, the Fund had $5.3 million in cash balances and $14.9 million in additional borrowings available under various credit facilities.

Cash Sources and Uses

The Fund's operations generated net cash flows of $3.1 million during the 52-day period ended June 30, 2006. Investments in new direct financing leases of $6.1 million during the period were offset by financing of $5.4 million from proceeds from lines of credit, lease financing, cash received from residual interest in securitizations and securitization of leases. Principal payments under long-term debt and capital leases totalled $10,884 during the 52-day period ended June 30, 2006. Capital expenditures totalled $8,560 during the period.

The Fund raised net proceeds of $51.1 million on May 10, 2006 through the sale to the public of 5,778,193 Fund Units at a price of $10 per unit, after deducting expenses of the offering and related transactions and underwriters' fees totalling $8.0 million. Cars4U Ltd. utilized approximately $1.2 million of its own funds to cover expenses of the initial public offering. The Fund indirectly acquired Pawnee through U.S. AcquisitionCo for a combined total of $48.1 million in cash and $13.8 million in shares of U.S. AcquisitionCo and provided $3.0 million to Pawnee for working capital and for the reimbursement of the repurchase price of outstanding stock appreciation rights at Pawnee.

The Fund expects to finance our current operations, planned capital expenditures and internal growth for the foreseeable future using funds generated from operations, existing cash, and the funds available under existing credit facilities. Distributions to date were funded from operational cash flows (which term is not intended to be a reference to cash flow from operations in the Fund's financial statements, as management believes that cash flow from operations is not an appropriate measure from which to derive or reflect the Fund's distributable cash because normal day-to-day leasing and vehicle financing transactions are grouped under financing and investing activities in accordance with GAAP and therefore cash flows from operations do not reflect these core activities).

The Fund may require additional funds to finance future acquisitions. As such, it will seek such additional funds, if necessary, through public or private equity or debt financings from time to time, as market conditions permit.

Financial Covenants, Restrictions and Events of Default

Each of the Fund's operating subsidiaries is subject to bank and/or manufacturer covenants relative to leverage and/or working capital.

Pawnee funds its business primarily through variable rate borrowings and has a revolving credit facility for up to US$57.5 million which can, subject to certain conditions, be increased to U.S.$65 million. As of June 30, 2006, Pawnee had used approximately US$43.5 million of its available borrowing under this facility. Pawnee's ability to access funding at competitive rates through various economic cycles enables it to maintain the liquidity necessary to manage its business and its ability to continue to so access funding is an important condition to its future success. Pawnee is required to purchase fixed interest rate hedges for at least 50% of the total commitment under its credit facility, and as of June 30, 2006 Pawnee has hedged US$35 million, representing approximately 80% of the US$43.5 million outstanding under the credit facility.

Pawnee's secured borrowing agreement has financial covenants and other restrictions with which it must comply in order to obtain continued funding and avoid default. Events of default under these arrangements include a change in control without lender-approval.

Advances on the revolving facility may be drawn at any time subject to compliance with borrowing base calculations and compliance with the covenants set out therein. As of June 30, 2006, US$43.5 million was outstanding under the facility and Pawnee had capacity to draw up to and in excess of the US$57.5 million commitment and remain within the borrowing base under the facility.

Pawnee is restricted in its ability to further merge, acquire companies or be acquired, or incur additional debt without lender approval. Furthermore, dividends are limited to compliance with all bank covenants and may not exceed the net income from the prior month.

Pawnee is subject to the risk of increases in interest rates as the credit facility used to fund the business operations has a variable interest rate, while the yields on our equipment leases are fixed. Pawnee seeks to mitigate that risk through the use of swap agreements that effectively convert floating rate debt to fixed rates.

If the current variable rate credit facility become unavailable, for non-compliance with covenants and Pawnee was unable to obtain replacement facilities on acceptable terms or at all, Pawnee may not have access to the financing necessary to conduct business, which would limit the company's ability to fund operations.

Distribution to Unitholders

The Fund declared two cash distributions during the 52-day period ended June 30, 2006 as follows:

Unitholder Record Date	Total Distribution	Per Unit	Date Payable
May 31, 2006 (*)	$455,515	$0.0649	June 15, 2006
June 30, 2006	$672,393	$0.0958	July 17, 2006
	$1,127,908	$0.1607	

(*) – May 2006 was the Fund's initial distribution reflecting a pro rata payment of a monthly distribution for the 22-day period from May 10, 2006 to May 31, 2006.

Distribution Policy

Our policy is to pay monthly distributions to unitholders of record on the last business day of each month by the 15th of the following month, or next business day if the 15th is not a business day. Unitholder distributions are subject to review and approval by the trustees of the Fund and the board of directors of Chesswood GP Limited.

Contractual Obligations

	2006 (*)	2007	2008	2009	2010 and beyond	Total
Long-term debt	2,770,792	3,552,628	56,513	48,563,184	768,950	55,712,067
Obligations under capital leases (including interest)	14,899	14,367	3,000	-	-	32,266
Minimum rental payments	237,622	342,744	210,244	210,244	210,244	1,211,098
Total	3,023,313	3,909,739	269,757	48,773,428	979,194	56,955,431

(*) $2,721,782 of the long-term debt would only be payable in 2006 if the bank called the loan, which we are not anticipating, otherwise the loan is payable over the term of the underlying leases.

RISK FACTORS

The Fund operates in a dynamic environment that involves various risks and uncertainities, many of which are beyond the Fund's control and which could have an effect on the Fund's business, revenues, operating results, cash flow, distributable cash and financial condition. Readers should carefully review the risk factors described starting on page 127 in the May 2, 2006 prospectus filed with various Canadian securities regulatory authorities through SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com.

An investment in Fund Units entails certain risk factors that should be considered carefully.

RELATED PARTY TRANSACTIONS

1) Fund Issued Debentures in the principal amount of $2,080,000 (out of the aggregate $3,500,000 principal amount of the Debentures) were issued to directors of Chesswood GP Limited, which is a 100% owned subsidiary of the Fund.

2) Pawnee leases a 10,800 square foot office facility. The lessor is a related party because of common ownership between itself and the holders of the Class B and C shares of U.S. AcquisitionCo. As of June 30, 2006, the lease payments are US$189,000 per year triple net and run through 2011 with options for two additional five-year terms.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Understanding the Fund's accounting policies is essential to understanding the results of the Fund's operations and financial condition. The Fund's significant accounting policies are described in note 1 to the quarterly financial statements. The preparation of these financial statements requires us to make estimates and judgments that affect reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our financial statements. On an ongoing basis, we evaluate our estimates, including credit losses, residuals, initial direct costs and fees, other fees and realizability of deferred tax assets. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties. Our financial statements are based on the selection and application of critical accounting policies, the most significant of which are described below.

Revenue recognition

Direct financing lease income is recognized under the effective interest method. The effective interest method of income recognition applies a constant rate of interest equal to the internal rate of return on the lease.

Late fee and other income

Late fee and other income consists of charges and fees for such things as administration fees to process each lease at origination, late fees, collection call charges, property tax management fees, interim rental fees, insurance fees and lease termination. Fee income also includes net residual income, which includes income from lease renewals and gains and losses on the realization of residual values of equipment disposed of at the end of term. Fees are recognized when received. Net residual income includes charges for the reduction in estimated residual values on equipment for leases in renewal and is recognized during the renewal period.

Lease residual values

A direct financing lease is recorded at the aggregate future minimum lease payments plus the estimated residual values less unearned income. Residual values reflect the estimated amounts to be received at lease termination from lease extensions, sales or other dispositions of leased equipment. These estimates are based on industry data and on our experience. Management performs periodic reviews of the estimated residual values and any impairment, if other than temporary, is recognized in the current period.

Allowance for credit losses

An allowance for doubtful accounts is maintained at a level, which is estimated by Pawnee to be adequate to provide for expected losses in the present portfolio of direct financing lease receivables. Pawnee uses a comprehensive proprietary software tracking system that permits the company to track all of the receivables by various categories. Receivables are normally tracked by type of industry and equipment, geographic location, size of lease, and broker. Additional tracking is created on a case-by-case basis as new programs are added or management desires to evaluate specific aspects of the portfolio's performance. In addition, Pawnee also considers other factors including recent trends in delinquencies and charge-offs; accounts filing for bankruptcy; recovered amounts; forecasting uncertainties; the composition of our lease portfolio; economic conditions; and seasonality. We then establish an allowance for credit losses for the projected probable net credit losses based on this analysis. A provision is charged against earnings to maintain the allowance for credit losses at the appropriate level.

Our projections of probable net credit losses are inherently uncertain, and as a result we cannot predict with certainty the amount of such losses. Changes in economic conditions, the risk characteristics and composition of the portfolio, bankruptcy laws, and other factors could impact our actual and projected net credit losses and the related allowance for credit losses. To the degree we add new leases to our portfolio, or to the degree credit quality is worse than expected, we will record expense to increase the allowance for credit losses for the estimated net losses expected in our lease portfolio.

For Lease-Win, management reviews each outstanding receivable, on an individual basis, for collectibility.

Accounting for the securitization of leases and off-balance sheet arrangements

The Fund, through its subsidiary Lease-Win, transfers or sells receivables to a securitization trust (the "Trust") as a means of financing our automobile finance contracts. These securitization transactions have an off-balance sheet component. These transactions are currently considered a sale under Canadian generally accepted accounting principles. As such, Lease-Win is required to make estimates in respect of frequency, timing and severity of losses and prepayment on the underlying pools of assets sold, which impacts the future expected cash flows Lease-Win would expect to receive from the sale of the receivables. The expected cash flows are discounted at a rate that Lease-Win feels is commensurate with the underlying risk of the receivables. Changes in these estimates or significant variations in actual performance from these estimates could significantly impact our financial results in a period.

Substantially all leases originated are sold to the Trust which result in the sale of the leases. Lease-Win removes the leases from its balance sheet and records a gain on the sale. Lease-Win retains an interest in the leases in the form of an interest-only strip and deferred proceeds (residual interest and cash reserve monies), that is recorded as an asset on the balance sheet and assumes first risk of credit losses up to the amount of the reserve held by the Trust. As the cash flows of the underlying leases and market conditions change, the value of Lease-Win's residual interests may also change, resulting in either additional unrealized gains or impairment of the residual interests.

All leases securitized are transferred with servicing rights retained. Servicing activities include processing of lease payments and the administration of leases. Lease-Win provides for an estimated servicing fee of 1.5% on the outstanding gross receivable of leases securitized, as well as the right to receive certain ancillary income including, but not limited to, late fees and prepayment penalties. Estimated lease servicing costs are recorded in the liabilities at allocated carrying amounts based on original lease receivable balances. Variations in the prepayment rate assumptions could materially affect the carrying value of the estimated lease servicing liabilities.

Lease-Win is required, under the terms of its securitizations, to build and/or maintain reserves to specified levels, using the excess cash flows received, until specified percentages of the securitized portfolio are attained. Lease-Win funds the reserve account from the proceeds of the sale. Upon maturity of the leases, any remaining amounts in the Trust are distributed. The estimated future cash flows to be distributed to Lease-Win are included as part of the residual interest and are valued upon the timing of the distribution from the reserve account.

Revenues consist of proceeds from the sale of lease receivables, accretion or impairment on residual interests, lease servicing fees and excess interest spread received on leases.

Gains on sale of lease receivables

When Lease-Win securitizes its lease receivables, it records a gain on sale. Lease-Win calculates the gains on sale as the cash proceeds less the allocated cost of leases sold and the estimated servicing liability. The relative fair value of the receivable is determined using discounted cash flow models, which require various management assumptions (see discussion below under "Valuation of Residual Interests"). Variations in these assumptions affect the estimated fair values, which would affect the reported gains on sale.

Valuation of residual interests

Lease-Win uses discounted cash flow models to arrive at the estimated fair values of its residual interests. The fair value of residual interests is estimated by computing the present value of the future cash flows from the retained interest and the reserve account less expected losses to be incurred on the portfolio of the leases sold (as projected to occur) over the terms of the leases. Prepayment and loss assumptions used in estimating the cash flows are based on evaluations of the actual experience of Lease-Win's servicing portfolio, the characteristics of the applicable lease portfolio, as well as taking into consideration the current economic and interest rate environments and their expected impact. The prepayment speeds are somewhat correlated with the movement of market interest rates. As market interest rates decline there is a corresponding increase in actual and expected borrower prepayments as customers refinance existing leases under more favourable interest rate terms. This, in turn, reduces the anticipated cash flows from the residual interests. The estimated cash flows are discounted at an interest rate Lease-Win believes an unaffiliated third-party purchaser would require as a rate of return on a financial instrument with a similar risk profile. Lease-Win evaluates the fair values of residual interests quarterly by updating the actual and expected assumptions in the discounted cash flow models based on current information and events and by estimating, or validating with third-party experts, if necessary, what a market participant would use in determining the current fair value. Variations in the above assumptions, as well as the discount rate and interest rate assumptions, could materially affect the estimated fair values, which may require Lease-Win to record impairments or unrealized gains. In addition, variations will also affect the amount of residual interest accretion recorded on a monthly basis.

As the cash flows of the underlying leases and market conditions change, the value of Lease-Win's residual interest may also change, resulting in either additional unrealized gains or impairment of the value of the residual interests.

Accounting for goodwill

Current generally accepted accounting principles require that goodwill and other intangible assets with indefinite useful lives no longer be amortized, but instead evaluated for impairment on an annual basis, or more frequently if certain events or circumstances exist. The Fund will evaluate the goodwill balances in the last quarter of each fiscal year. If the fair value of a subsidiary is less than its carrying value, then the implied fair value of the goodwill must be compared to the carrying value of that goodwill. In the instance that the fair value of the goodwill is less than the carrying value, goodwill is deemed to be impaired and an impairment loss, equal to the amount by which the fair value exceeds the carrying value, must be recorded.

The performance of the goodwill impairment test is subject to significant judgment in determining the fair value of the subsidiaries, due to the estimation of future cash flows, discount rates, and other assumptions. Changes in these estimates and assumptions could have a significant impact on the fair value and/or goodwill impairment.

Interest rate swaps and foreign exchange contracts

Hedge accounting requires recognition of the fair value of all derivative instruments on the balance sheet as either assets or liabilities. Changes in the derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met. Gains and losses on derivative hedging instruments must be recorded in either other comprehensive income or current earnings, depending on the nature and designation of the instrument.

Pawnee's interest rate swaps are not considered trading instruments as Pawnee intends to hold them until termination. Nonetheless, the interest rate swaps do not qualify as a hedge for accounting purposes, and are therefore recorded as separate derivative financial instruments. Accordingly, the estimated fair value of the interest rate swaps are recorded as an asset or a liability on the accompanying consolidated balance sheet. Payments made and received pursuant to the terms of the interest rate swaps are recorded as an adjustment to interest expense, and adjustments to the fair value of the interest rate swaps are recorded as gain or loss on interest rate swaps. The fair value of interest rate swaps is based upon the estimated net present value of cash flows, and does not necessarily reflect the amount that would be required to settle the interest rate swaps.

Chesswood Holdings LP, a wholly owned subsidiary of the Fund has entered into foreign exchange contracts to manage its exposure to the U.S. dollar as significant cash flows for unitholder distributions are generated in the U.S. As the foreign exchange contracts relate to equity transactions, they do not qualify as a hedge for accounting purposes, and are therefore recorded as separate derivative financial instruments. Accordingly, the estimated fair value of the foreign exchange contract are recorded as a liability on the accompanying consolidated balance sheet and adjustments to the fair value of the foreign exchange contracts are recorded as gain or loss on interest rate swaps. The fair value is determined from a monthly market valuation report obtained from the bank.

Income taxes

Pawnee and Lease-Win use the asset and liability method to account for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for future tax benefits for which realization is not considered more likely than not. Pawnee and Lease-Win account for their lease arrangements as operating leases for federal income tax reporting purposes. This results in temporary differences between financial and income tax reporting for which deferred taxes have been provided.

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any necessary valuation allowance recorded against net deferred tax assets. The process involves summarizing temporary differences resulting from the different treatment of items, for example, leases for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the consolidated balance sheet. Our management must then assess the likelihood that deferred tax assets will be recovered from future taxable income or tax carry-back availability and, to the extent our management believes recovery is not likely, a valuation allowance must be established. To the extent that we establish a valuation allowance in a period, an expense must be recorded within the tax provision in the statement of operations.

MARKET FOR SECURITIES

Our units are traded on the Toronto Stock Exchange under the symbol CHW.UN. The following table summarizes the high and low sales prices of our units and the average daily trading volume for each month in the period ended June 30, 2006, as reported by the Toronto Stock Exchange.

2006	High	Low	Volume
May (22 days)	$9.70	$8.95	50,333
June	$9.10	$8.20	36,253
Total for period	9.70	$8.20	42,119

OUTLOOK

Management is pleased with the financial results achieved by the Fund during this first shortened quarter ended June 30, 2006. We expect relative stability in the financial results of our operating entities, while pursuing opportunities for growth, acquisitively and organically.

As discussed above, Chesswood has entered into foreign exchange contracts in an effort to provide consistent and stable cash flow to our unitholders. Fluctuations in exchange rates between the Canadian and US dollar may result in significant non-cash adjustments to income on a quarter-to-quarter basis.

Management of the Fund is confident that Chesswood will continue to generate sufficient cash flow from operations to allow the Fund to sustain current cash distributions to Unitholders. However, Chesswood's needs may change and, in such event, its ability to satisfy obligations are dependent upon future financial performance, which in turn is subject to financial, tax, business, economic and other factors, many of which are outside the control of management.

ADDITIONAL INFORMATION

Additional information about the Fund is available:

- At the www.chesswoodfund.com website
- At the www.sedar.com website
- Via email to investorrelations@Chesswoodfund.com, or
- Via phone at 416-386-3099

CHESSWOOD INCOME FUND
INTERIM CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2006
(UNAUDITED)

ASSETS		
Current		
Cash	$	**5,292,775**
Accounts receivable		**1,243,612**
Inventories *(note 4)*		**8,454,859**
Current portion of net investment in leases *(note 5)*		**28,419,268**
Prepaid expenses and other assets		**1,396,410**
		44,806,924
Long term		
Net investment in leases *(note 5)*		**67,110,120**
Property and equipment *(note 6)*		**2,924,428**
Intangible assets *(note 2 & 7)*		**15,951,709**
Goodwill *(note 2)*		**45,324,475**
		131,310,732
TOTAL ASSETS	**$**	**176,117,656**
LIABILITIES		
Current		
Accounts payable and accrued liabilities *(note 8)*	$	**5,711,741**
Distributions payable		**844,894**
Vehicle financing *(note 9)*		**8,109,562**
Loans payable to unitholders *(note 10)*		**70,000**
Current portion of security deposits		**1,589,570**
Current portion of long-term debt and capital leases		**2,787,205**
		19,112,972
Long-term debt *(note 11)*		**52,939,499**
Customer security deposits		**10,083,292**
Servicing liability		**447,197**
Obligations under capital leases *(note 13)*		**14,146**
Future income taxes		**16,599,869**
		99,196,975
Non-controlling interest *(note 15)*		**12,439,103**
UNITHOLDERS' EQUITY		
Fund units *(note 16)*		**63,612,274**
Deferred purchase consideration *(note 17)*		**271,000**
Contributed surplus *(note 18(b))*		**568,862**
Retained earnings		**29,442**
		64,481,578
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	**$**	**176,117,656**

Please see notes to consolidated financial statements.

CHESSWOOD INCOME FUND
INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM MAY 10, 2006 TO JUNE 30, 2006
(UNAUDITED)

REVENUE		
Sales - automotive operations	$	**7,533,494**
Direct financing lease income		**4,264,498**
Ancillary lease and other income		**1,012,421**
		12,810,413
COST OF SALES - automotive operations		**6,640,520**
GROSS PROFIT		**6,169,893**
EXPENSES		
Salaries		**1,369,336**
Provision for credit losses		**851,620**
General and administrative		**777,937**
Interest on long-term debt		**631,928**
Other interest		**50,709**
Loss on foreign exchange *(note 8)*		**279,048**
Amortization		**176,584**
		4,137,162
INCOME BEFORE INCOME TAXES		**2,032,731**
Provision for income taxes *(note 14)*		**714,503**
INCOME BEFORE NON-CONTROLLING INTEREST		**1,318,228**
Non-controlling interest *(note 15)*		**229,372**
NET INCOME	**$**	**1,088,856**
Basic and diluted earnings per unit	$	0.16

Please see notes to consolidated financial statements.

CHESSWOOD INCOME FUND
INTERIM CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY
FOR THE PERIOD FROM MAY 10, 2006 TO JUNE 30, 2006
(UNAUDITED)

	Number of Units	$
Unitholders' equity - beginning of period	**-**	**$ -**
Fund units issued on initial public offering	**5,778,193**	**57,781,930**
Fund units issued to former cars4U Ltd. shareholders	**1,240,523**	**12,405,230**
Issuance costs		**(6,574,886)**
Fund units	**7,018,716**	**63,612,274**
Deferred purchase consideration *(note 17)*		**271,000**
Contributed surplus *(note 18(b))*		**568,862**
Retained earnings		
Net income		**1,088,856**
Foreign currency translation adjustment		**68,494**
Distributions *(note 19)*		**(1,127,908)**
		29,442
Unitholders' equity - end of period	**7,018,716**	**$ 64,481,578**

Please see notes to consolidated financial statements.

CHESSWOOD INCOME FUND
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM MAY 10, 2006 TO JUNE 30, 2006
(UNAUDITED)

CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income for the period	**$**	**1,088,858**
Add (deduct) items not involving cash:		
Non-controlling share of net income		**229,372**
Amortization		**176,584**
Amortization of deferred financing costs		**28,061**
Amortization of initial direct cost of lease acquisition		**640,759**
Gain on sale of leased vehicles		**(74,995)**
Unrealized gain on sale of lease receivables		**(236,534)**
Impairments of retained interest in securitizations		**(36,408)**
Amortization of securitization servicing liability		**(72,730)**
Provision for credit losses and prepayment of leases		**958,372**
Unit-based compensation expense *(note 18(b))*		**74,045**
Provision for income taxes		**(57,761)**
Unrealized foreign exchange loss		**265,932**
		2,983,555
Changes in non-cash working capital items relating to operations		
Accounts receivable		**(344,531)**
Inventories		**622,786**
Prepaid and other sundry assets		**(1,507,177)**
Accounts payable and accrued liabilities		**1,313,206**
		84,284
Cash provided by operating activities		**3,067,839**
INVESTING ACTIVITIES		
Purchases of property and equipment		**(8,560)**
Acquisition of business *(note 2(c))*		**(48,140,394)**
Cash received from residual interest in securitization		**418,421**
Increase in net investment in leases		**(6,123,317)**
Increase in security deposits		**176,372**
Cash used in investing activities		**(53,677,478)**

Continued on next page

Please see notes to consolidated financial statements.

CHESSWOOD INCOME FUND
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM MAY 10, 2006 TO JUNE 30, 2006
(UNAUDITED)

FINANCING ACTIVITIES

Issuance of units on initial public offering *(note 2(b))*	**$**	**57,781,930**
Expenses related to initial issuance of units *(note 2(b))*		**(6,727,158)**
Proceeds from lines of credit		**1,435,383**
Proceeds from securitization of leases		**3,555,433**
Vehicle financing		**532,038**
Lease financing		**3,783**
Servicing liability		**(25,428)**
Mortgage principal payments		**(8,118)**
Obligations under capital leases		**(2,766)**
Payment of financing costs		**(125,000)**
Cash distributions paid to unitholders		**(455,515)**
Cash distributions paid to non-controlling interest		**(62,168)**
Cash provided by financing activities		**55,902,414**
Net increase in cash		**5,292,775**
Cash, beginning of period		**-**
Cash, end of period	**$**	**5,292,775**

Supplemental disclosures of cash flow information (see note 20)

Please see notes to consolidated financial statements.

1. Summary of significant accounting policies

Organization

References in this report to "we" and "our" are to Chesswood Income Fund (the "Fund") or its subsidiaries, as applicable.

Chesswood Income Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to its Declaration of Trust dated February 16, 2006. The Fund is authorized to issue an unlimited number of trust units ("Fund Units"). The Fund was created to invest in the financial services industry in Canada and the United States through the acquisition of cars4U Ltd. pursuant to a plan of arrangement under the Business Corporations Act (Ontario) and the indirect acquisition of Pawnee Leasing Corporation. Each holder of Fund Units participates pro rata in any distributions from the Fund. Income tax obligations related to the distributions of the Fund are the obligations of its Unitholders.

The Fund holds a 100% interest in Chesswood Holding Trust, which in turn holds all of the limited partnership units of Chesswood Holding LP (the "Holding LP"). Holding LP holds a 100% interest in Chesswood Holdings Ltd. and substantially all of the limited partnership units of Sherway LP. Chesswood Holdings Ltd. owns 100% of the shares of the operating company Lease-Win Limited ("Lease-Win") as well as shares of Chesswood U.S. Acquisition Co Ltd., a corporation that owns 100% of the shares of the operating company Pawnee Leasing Corporation ("Pawnee"). As well, Chesswood Holdings LP owns a majority interest in Sherway LP, which contains additional operations.

Through its interest in Pawnee, the Fund is involved in the business of micro and small-ticket equipment leasing to small businesses in the start-up and "B" credit market in the lower 48 states of the United States. Through its interests in Lease-Win and Sherway LP, the Fund is involved in leasing automobiles and selling, servicing and leasing Acura automobiles in the Province of Ontario.

Basis of presentation
These unaudited interim consolidated financial statements of the Fund have been prepared in accordance with Canadian generally accepted accounting principles for interim statements.

Principles of consolidation
Our consolidated financial statements include the financial statements of the Fund, and those of our subsidiaries Chesswood Holding Trust, Chesswood Holding LP, Chesswood GP Limited, Chesswood General Partner Trust, Chesswood GP Beneficiary Limited, Chesswood Holdings Ltd., Lease-Win Limited, Chesswood U.S. Acquisition Co Ltd., Pawnee Leasing Corporation, and Sherway LP.

Inter-company balances and transactions have been eliminated.

Financial statements
The consolidated financial statements contained in this report are for the 52-day period ending June 30, 2006. This is the initial period of operations since the Fund and its subsidiaries commenced operations under the new structure May 10, 2006. Since this reporting period is in the first year of operations, no comparative information is included in these financial statements. All financial information is presented in Canadian dollars, unless otherwise noted.

All of the financial statements contained in this report are unaudited and, in the opinion of management, contain all adjustments necessary for a fair presentation of the financial position, operating results, and cash flows for the period presented. These adjustments are of a normal recurring nature. You should read our consolidated financial statements in this report in conjunction with the financial and other information provided in our prospectus dated May 2, 2006.

Inventory
Inventories are valued at the lower of cost and net realizable value. The cost of new and used vehicles is determined using the specific item method and includes all direct expenditures required to prepare the vehicles for sale. The cost of automobile parts is determined using the first-in, first-out method.

Revenue recognition
The Fund's equipment leasing operations have standard lease contracts which are non-cancelable direct financing leases and which provide for monthly lease payments for periods of one to five years. When a direct financing lease contract is closed, the investment in the lease is recorded as an asset equal to the amounts advanced to acquire the equipment plus initial direct costs of lease acquisition. The difference between the present value of the minimum lease payments required over the non-cancelable term of the lease plus the present value of the unguaranteed residual value of the leased equipment and the investment in the lease is accounted for as unearned lease interest income. Such unearned income is recognized over the life of the lease using the effective interest method, which provides a constant rate of return on the net investment throughout the lease term. Direct lease acquisition costs are amortized as an adjustment to the yield on lease contracts using the effective interest rate method. Indirect costs are expensed as incurred.

The Funds' automotive leasing operations account for certain leases as direct finance leases. The total value of the lease payments to be received under the lease terms is recorded at the commencement of the lease. The difference between this total value, net of executory costs, and the cost of the leased asset is recorded as deferred income and is shown as a reduction of the net investment in leases. The deferred income is then amortized on a constant yield basis over the term of each lease for non-securitized leases. For the revenue recognition policy on securitized leases, refer to "Transfer of receivables" below.

Revenue from the sale of automobiles is recognized when the automobiles are delivered and ownership passes to the customers.

Revenue generated through the cars4U.com web-site is recorded on a net basis and represents the commissions earned on the transaction when the vehicle is sold to the customer.

All other revenue is recorded when the goods are delivered or the services are completed.

Allowance for doubtful accounts
At Pawnee, an allowance for doubtful accounts is maintained at a level, which is estimated by Pawnee's management to be adequate to provide for expected losses in the present portfolio of direct financing lease receivables. As at June 30, 2006 Pawnee had an allowance for doubtful accounts of $6,024,737.

Pawnee management's periodic evaluation of the adequacy of the allowance is based on past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. These estimates involve judgments and a certain level of subjectivity. Changes in economic and other conditions may necessitate revisions in future years. Generally, the subsidiary ceases to accrue interest income on leases after they become 91 days contractually past due, and charges off leases when they become 151 days contractually past due.

For Lease-Win, management reviews each outstanding receivable, on an individual basis, for collectibility.

Transfer of receivables
For its automotive leasing operations, the Fund securitizes a portion of its finance receivables by selling the receivables to a qualifying special purpose entity in which the Fund or its subsidiaries are not beneficiaries. The purchase and sale agreement requires the provision of finance receivables in excess of the initial proceeds received and a cash reserve account, which are classified as retained interest in finance receivables securitized. Upon completion of the sale, the finance receivables and the related credit allowance are de-recognized, all assets obtained in consideration as proceeds of

the sale are recognized, transaction and servicing liabilities incurred are deducted and any gain or loss on the sale is recognized.

The gain or loss on the sale is recognized at the time of the securitization. The gain or loss on sale depends in part on the previous carrying amount of the receivables involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer. Fair value is estimated based on the present value of future expected cash flows using management's best estimates of certain key assumptions: credit losses, prepayment rates and discount rates commensurate with the risks involved.

The finance receivables are sold on a fully serviced basis. Accordingly, upon each securitization a servicing liability is recorded to recognize the potential reduction in the cash flows receivable by the Fund's automotive leasing operations if an amount was paid by the special purpose entity to a replacement servicer. The estimated fees that would otherwise be payable to a replacement servicer forms the basis of determination of the fair value of the servicing liability that is charged against the gain or loss at the time of recognizing the sale of securitized assets.

Retained interests in finance receivables securitized
The retained interest in automotive finance receivables securitized represents the Fund's automotive leasing operation's retained interest in the discounted residual cash flow of the finance receivables in excess of the amounts payable to the investors of the qualified special purpose entity and the discounted cash flows of the cash reserve deposit maintained with the qualified special purpose entities at predetermined limits.

The retained interest in automotive finance receivables securitized is increased by the interest accretion, which is recorded on a constant yield basis. The retained interest is reduced only as cash is received by the automotive leasing operations, which is after obligations to the investors in the qualifying special purpose entities are satisfied. The retained interest represents the maximum exposure to losses on the securitized receivables. On a quarterly basis, the carrying value of the retained interest in finance receivables securitized is reviewed for impairment based on its fair value. Fair value is subject to credit, prepayment and interest rate risks.

Trust servicing liability
The trust servicing liability is amortized into income over the life of the securitized assets on a yield basis and is recorded as part of income from securitized assets. However, if subsequent events have increased the fair value of the liability above the carrying amount, the increased obligation is estimated and recognized as a loss in income.

Deferred financing costs
Costs incurred to obtain financing are capitalized and amortized to interest expense on a straight-line basis over the term of the related debt. Net deferred financing costs were $359,712 at June 30, 2006 net of accumulated amortization and are included in prepaid expenses and other assets.

Property and equipment
Property and equipment are stated at cost less accumulated amortization, and provision for impairment, if any. Amortization has been provided for at the following annual rates:

Building……………………………………………4% declining balance
Building improvements……………………………20% declining balance
Service equipment…………………………………20% declining balance
Furniture and equipment…………………………...20% to 40% declining balance
Service vehicles……………………………………30% declining balance
Computer hardware and software…………………….20% to 30% declining balance
Leasehold improvements…………………………..straight-line over the remaining term of the lease

Impairment of long-lived assets
Management reviews the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment determined by a comparison of the estimated undiscounted future operating cash flows to be generated by the asset with its net carrying value is written off at the time of impairment.

Goodwill and intangible Assets
Goodwill represents the price paid for an acquisition in excess of the fair market value of net tangible assets and identifiable intangible assets acquired. Intangible assets are comprised of customer relationships, which are definite life intangible assets and are amortized using a straight-line basis over five years. Management reviews goodwill and intangible assets on an annual basis or at any other time when events or circumstances have occurred that might indicate an impairment of the carrying values. When the carrying amount of a reporting unit exceeds its fair value, then an impairment loss would be recognized in an amount equal to the excess, if any, of the reporting unit's goodwill over its carrying amount.

Income taxes
Income taxes are not provided for by the Fund, as the policy of the Fund is to distribute all available cash to unitholders to the maximum extent possible. Income taxes in the Fund's subsidiaries, whose structure requires income taxes to be provided for, are accounted for using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for future tax benefits for which realization is not considered more likely than not.

Exchangeable securities
The Fund has applied the recommendations of the Emerging Issues Committee (EIC) of the Canadian Institute of Chartered Accountants who issued an Abstract of Issues Discussed No. 151, Exchangeable Securities Issued by Subsidiaries of Income Trusts (EIC-151), which provides guidance on the presentation of exchangeable securities issued by a subsidiary of an income trust. In order to be presented as equity, the exchangeable securities must have distributions that are economically equivalent to distributions on units issued directly by the Fund and the exchangeable securities must also ultimately be exchanged for units of the Fund. The Fund has determined, in accordance with EIC 151 that the Exchangeable Units are required to be classified as non-controlling interest.

Unit option plan
The Fund has a unit option plan which is described in note 18(b). Employee unit options granted by the Fund contain exercise prices that are equivalent to the share price on the grant date. Any consideration paid by employees on exercise of unit options or purchase of units is credited to Fund Units.

The Fund records compensation costs using the fair value based method utilizing the Black-Scholes Option Pricing Model. The compensation cost is measured at fair value at the date of the grant and is expensed over the vesting period. The Black-Scholes Option Pricing Model requires the use of subjective assumptions including the expected unit price volatility. As a result, the company's unit option plan having characteristics different from those of traded options, and because changes in the subjective assumptions can have a material effect on the fair value estimate, the Black Scholes Option Pricing Model does not necessarily provide a reliable single measure of the fair value of the options granted.

Currency hedging policy
Certain subsidiaries generate cash flows and earn income in Canadian dollars, while other subsidiaries generate cash flows and earn income in U.S. dollars. The currency mix of cash flows and earnings depends on factors, which vary from period to period. A significant majority of the cash flow of the Fund is in U.S. dollars, while the Fund makes distributions to

unitholders in Canadian dollars. Management of the Fund reduces its exposure to currency fluctuation risks associated with the amount of U.S. dollars flowing to unitholders in Canadian dollars. Contemporaneous with the completion of its initial public offering the Fund entered into (and has, to date, maintained) a three year flat forward contract with a leading U.S. chartered bank to hedge approximately 80% of anticipated distributable cash received from subsidiaries in U.S. dollars. The remaining 20% will not be converted to Canadian dollars, as it will be used to pay distribution in U.S. dollars on the Class B and C shares of Chesswood U.S. Acquisition Co Ltd. Management of the Fund currently intends to maintain a rolling three-year hedging arrangement but will consider the appropriate hedging term, as the situation requires.

Foreign currency transactions
Assets and liabilities of self-sustaining foreign operations denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at each period-end date. The resulting exchange gains or losses on translation are recognized as part of equity in cumulative foreign currency translation adjustment. Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the period. Foreign exchange gains and losses on other transactions are recorded in income in the year in which they occur.

Financial instruments
The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities and loans payable to unitholders approximate their fair market value due to the short-term maturity of these instruments.

The stated value of the vehicle financing and long-term debt approximates fair value, as the interest rates attached to these instruments are representative of current market rates, for loans with similar terms, conditions and maturities.

The fair value of the net investment in leases has not been disclosed, as it cannot be reasonably estimated.

The Fund is exposed to credit risk on its net investment in leases.

Use of accounting estimates
Management makes estimates and assumptions when preparing financial statements under accounting principles generally accepted in Canada that affect:

- our reported amounts of assets and liabilities at the date of the financial statements,
- our disclosure of contingent assets and liabilities at the date of the financial statements, and
- our reported amounts of revenues and expenses during the reporting period.

These estimates involve judgments with respect to, among other things, future economic factors that are difficult to predict and are beyond management's control. Significant areas requiring the use of management estimates relate to amortization, impairment of assessments, allowance on doubtful accounts, valuation of residual interests, provision on financing leases, prepayment rates, discount rates, service liability and the fair value of the interest rate swaps. As a result, actual amounts could differ from these estimates.

2. Acquisition of cars4U Ltd. and Pawnee and issuance of Fund units

a) Acquisition of cars4U Ltd.

On May 10, 2006, under a Plan of Arrangement, the Fund directly acquired all of the assets and undertaking of cars4U Ltd. and its subsidiaries by the issuance of 1,240,523 Fund Units in exchange for the outstanding shares of cars4U Ltd. (an exchange ratio of 18.33 cars4U Ltd. shares per Fund Units). The acquisition of cars4U Ltd. was accounted for using the purchase method. The purchase price was based on the number of Fund Units issued under the Plan of Arrangement and the offering price of $10 per unit. The net purchase price of $12,406,550 was preliminarily allocated to the assets and liabilities of cars4U Ltd. at May 9, 2006 based on their fair values as follows:

Cash	$ 1,696,462
Accounts receivable	899,081
Inventories	9,077,645
Prepaid expenses	178,896
Net investment in leases	10,143,418
Property and equipment	2,752,741
Deferred assets	4,672,885
Intangible assets	
Trade names	454,000
Customer relationships	1,765,979
Framework Agreement	1,300,000
Goodwill	6,568,159
Accounts payable and accrued liabilities	(5,178,026)
Security deposits	(319,925)
Vehicle financing	(7,577,524)
Loans payable to shareholders	(70,000)
Long-term debt	(7,213,903)
Servicing liability	(735,986)
Obligations under capital leases	(4,105)
Future income taxes	(5,238,749)
Deferred purchase consideration	(271,000)
Contributed surplus	(494,818)
Total	$12,405,230

b) Initial public offering

The Fund filed a prospectus dated May 2, 2006 for the sale to the public of 5,778,193 Fund Units at a price of $10 per unit for net proceeds of $49,822,019, after deducting expenses of the offering and related transactions and underwriters' fees totaling $8.0 million.

c) Acquisition of Pawnee

The Fund indirectly acquired Pawnee through Chesswood U.S. Acquisitionco Ltd. ("U.S. Acquisitionco") for a combined total of US$43.4 million in cash and US$13.3 million through the issue of approximately 1.3 million Class B shares of U.S. Acquisitionco (which are to be exchangeable, for no additional consideration, on a one-for-one basis for Fund Units from and after November 8, 2008) and approximately 204,000 Class C shares of U.S. Acquisitionco (which are to have the same exchange rights as the Class B shares, but which will be exchangeable at any time); and provided US $1.0 million to Pawnee for working capital and US$1.5 million to Pawnee for the reimbursement of outstanding stock appreciation rights at Pawnee.

The acquisition of Pawnee was accounted for using the purchase method. The purchase price of US$56.7 million was allocated to the assets and liabilities of Pawnee at May 9, 2006 as follows:

	US$	CDN$
Cash and cash equivalents	$380,662	$422,345
Investment in direct financing leases, net of allowance for doubtful accounts	76,083,796	84,414,971
Furniture, fixtures and equipment, net of accumulated depreciation	190,987	211,901

	US$	CDN$
Other assets	835,163	926,613
Intangible assets		
Trade name	5,400,000	5,991,300
Broker relationships	5,600,000	6,213,200
Back-end systems software	320,000	355,040
Goodwill	34,931,334	38,756,316
Accounts payable and accrued liabilities	(2,155,309)	(2,391,317)
Security deposits	(10,073,515)	(11,176,565)
Future income taxes	(10,504,560)	(11,654,809)
Bank debt	(45,129,999)	(50,071,734)
Capital lease obligations	(24,734)	(27,443)
Total	$55,853,825	$61,969,818

Consideration:		
Cash	$43,389,269	$48,140,394
Class B shares of U.S. Acquisitionco (**)	10,626,465	11,790,062
Class C shares of U.S. Acquisitionco	1,838,091	2,039,362
Total	$55,853,825	$61,969,818

(**) The Class B shares of U.S. AcquisitionCo are subordinated until November 8, 2008 and entitled the holder's to distributions provided that certain minimum distributions have been made, thus they have been valued with a discount rate of 7.5 percent.

3. Operating lines of credit

At June 30, 2006, Sherway LP has an authorized line of credit of $1,500,000. The line of credit is secured by assignments of the book debts and a general security agreement over the assets of the company. Please see note 9 and 11 for authorized lines of credit and credit facilities available to Lease-Win and Pawnee.

4. Inventories

	June 30, 2006
New and demonstrator vehicles	$6,072,784
Used vehicles	2,303,536
Parts and other	78,539
	$8,454,859

5. Net investment in leases

The Fund's net investment in direct finance leases includes the following:

	June 30, 2006
Total minimum lease payments for non-securitized leases	$129,899,112
Estimated residual values of leased equipment	6,508,254

Initial direct costs of lease acquisition	6,266,246
	142,673,612
Unearned income	(43,615,399)
	99,058,213
Allowance for doubtful accounts	(6,452,659)
	92,605,554
Securitized lease receivable (see *note 5(a)*)	2,923,834
Net investment in leases	95,529,388
Less: Current portion	(28,419,268)
Net investment in leases- long-term portion	$67,110,120

The activity in the allowance for doubtful accounts is as follows:

Beginning balance	$6,488,499
Provision for credit losses	1,165,282
Impact of change in foreign exchange rates over period	(388,723)
Direct write-downs, net of recoveries	(812,399)
Ending balance	$6,452,659

a) Securitization receivable - Lease-Win sells financing leases in securitization transactions. In all of those securitizations, Lease-Win retained servicing responsibilities and subordinated interests. Lease-Win retains the right to a portion of the future cash flows arising after investors in the securitization trust have received the return for which they have contracted. The investors and the securitization trust have no recourse to Lease-Win's other assets for failure of debtors to pay when due. Lease-Win's retained interests are subordinate to the investors' interests. Their value is subject to credit, prepayment, and interest rate risks on the transferred receivables.

Assets under administration from the securitization of leases	$49,463,329

6. Property and equipment

	Cost	Accumulated Amortization	June 30 Net
Land	$356,638	$-	$356,638
Building and improvements	2,144,799	(721,561)	1,423,238
Leasehold improvements	774,437	(319,516)	454,921
Service equipment	429,941	(263,595)	166,346
Furniture and equipment	867,693	(615,999)	251,694
Service vehicles	44,897	(31,019)	13,878
Computer hardware and software	874,094	(681,655)	192,439
Computer hardware, software and service equipment under capital lease	248,832	(183,558)	65,274
	$5,741,331	($2,816,903)	$2,924,428

7. Intangible assets

	Cost	Accumulated Amortization	June 30 Net
Trade names	$6,445,300	$-	$6,445,300
Broker Relationships	6,213,200	(69,036)	6,144,164
Customer Relationships	1,765,979	(50,321)	1,715,658
Framework Agreement	1,300,000	-	1,300,000
Computer Systems	355,040	(8,453)	346,587
	$16,079,519	($127,810)	$15,951,709

8. Fair values of financial instruments

The Fund has entered into foreign exchange contracts to manage its exposure to the U.S. dollar as significant cash flows are generated in the U.S. The Fund sells specific amounts of currencies at predetermined rates and exchange rates, which are matched with the anticipated operational cash flows. Contracts in place at June 30, 2006 include future contracts of US$22,581,422 until 2009 at a weighted average exchange rate of CDN $1.089 per US $1.00. There is a net unrealized loss of $291,284 from these foreign exchange contracts at June 30, 2006 included in accounts payable and accrued liabilities.

Loss on foreign exchange on the income statement is comprised of the following:	For the 52-day period ending June 30, 2006
Unrealized loss on revaluation of foreign exchange contracts	$291,284
Unrealized gain on conversion of certain balance sheet and income statement balances and transactions during the period	(25,351)
Sub-total of non-cash unrealized foreign exchange items affecting income	265,933
Actual loss on foreign exchange of on movement of funds from the United States during the period	13,115
Net loss on foreign exchange	279,048

9. Vehicle financing

	June 30, 2006
Automotive dealership floor plan facilities	$6,609,568
Operating subsidiary warehouse credit facility	1,499,994
	$8,109,562

Sherway LP has an $8,500,000 floor plan facility available, bearing interest at the bank's prime rate plus ¼%, secured by the related vehicles and a general security agreement over the dealership operation's other assets. The notes are due on the earlier of the date of sale of the related vehicle and 12 months after the receipt of the loan The repayment terms of 12 months may be extended for an additional 90 days, subject to an immediate repayment of 10% of the principal amount. Under the facility, repayment may be extended for a second 90-day term subject to a further 20% repayment.

Lease-Win has the following authorized credit facilities available:

Demand loan – leasing……………………………………….$4,000,000
Warehousing credit facility………………………………….$2,000,000
Demand loan – service leases or daily rental usage…………...$200,000
Line of credit……………………………………………….$500,000
Demand loan – non-automotive equipment…………………$1,500,000
Demand loan – used vehicle financing…...…………………$1,000,000

The warehousing facility is used for the purchase of vehicles pending permanent funding, and advances are repayable within 45 days of drawdown. The demand loan is available to facilitate the purchase of new vehicles for service loaner or daily rental usage.

These loans bear interest at rates from prime plus ¼% to prime plus 1% and are secured by an assignment of book debts and a general security agreement over all assets of Lease-Win.

Other loans payable bear interest at the prime bank rate plus 1%, payable quarterly and are due 21 days after demand. The loans are payable to parties related to the shareholders of the company.

10. Loans payable to unitholders

Loans payable to unitholders, which bear interest at the prime bank rate plus 1%, are payable quarterly and are due 21 days after demand.

11. Long-term debt

	June 30, 2006
Line of credit (a)	$48,502,500
Convertible debentures payable (b)	3,500,000
Mortgage payable (c)	987,786
Floating rate lease financing (d)	2,721,782
	$55,712,068
Less: current portion	2,772,569
	$52,939,499

The aggregate amount of minimum payments required on long-term debt is as follows:

2007	2,772,569
2008	3,554,536
2009	48,561,061
2010	62,884
2011 and beyond	761,018
	55,712,068

a) Pawnee has a credit facility which allows borrowings of up to U.S. $57,500,000, subject to, among other things, certain percentages of eligible gross lease receivables, of which U.S.$43,500,000 was utilized at June 30, 2006. This credit facility is secured by substantially all of Pawnee's assets, contains negative covenants including the maintaining of leverage and interest coverage ratios, requires Pawnee to mitigate its interest rate risk by entering interest rate swaps for a notional amount not less than 50% of the aggregate commitment, and matures on May 10, 2009. See note 12 for information relating to interest rate swaps affiliated with this credit facility.

b) At the time of the Plan of Arrangement, one of the companies incorporated into the Plan had outstanding $3,500,000 principal amount of convertible debentures (the "cars4U Debentures"). The cars4U Debentures bore interest at the rate of 9% per annum, payable quarterly, and were to be due on February 10, 2006. The cars4U Debentures were amended so as to provide for (among other things) an extension of the due date to August 10, 2007 and for the issue of debentures by the Fund (in replacement of the cars4U Debentures) upon completion of the Arrangement ("Fund Issued Debentures"). Upon completion of the Plan of Arrangement, these convertible debentures were replaced by the issuance of the Fund Issued Debentures. The Fund Issued Debentures are convertible into Fund Units, at the holders' option, at a conversion price of $15.58 per Fund Unit. The Fund Issued Debentures will be automatically converted into Fund Units in the event that the 20-day average price for the Fund Units is at least $20.16 per Fund Unit reflecting the exchange ratio used for the purposes of the Plan of Arrangement.

   Debentures in the principal amount of $2,080,000 (out of the aggregate $3,500,000 principal amount of the Fund Issued Debentures) were issued to directors of Chesswood GP Limited, which is a 100% owned subsidiary of the Fund.

c) The mortgage, which had an original principal amount of $1.1 million bears interest at the rate of 7.25% per annum, is payable in monthly installments of principal and interest of $9,975, is due December 18, 2013 and is secured by the land and building located at 4077 Chesswood Drive, Toronto, Ontario.

d) Lease-Win's financing is collaterized as follows:
   i. Lien notes on specific leased vehicles and courtesy cars;
   ii. A general assignment of its book debts, fire insurance and leases; and
   iii. A demand debenture in the amount of $2,050,000 and a general security agreement over all its assets.

   Lease-Win has an authorized credit facility of $2,000,000 to be used for the purchase of assets for leasing. At the inception of each loan, Lease-Win has the right to fix the interest rate for the term. The floating rate loans bear interest at the bank's prime rate plus 0.25%. Lease-Win has the right to fix the rate on all its floating rate debt at the bank's prime rate plus 0.75%. The lease financing is scheduled to be repaid over a period not exceeding the term of the underlying leases, but is due on demand.

12. Interest rate swaps

In March 2003, Pawnee entered into an interest rate swap agreement with its banking facility that provides for payment of an annual fixed rate of 2.08% on a U.S. $10.0 million notional amount. In return, Pawnee receives payment of a LIBOR based floating rate amount based upon the notional amount. This interest rate swap was replaced in March 2005 by a new interest rate swap that provides for payment of an annual fixed rate of 4.15% on a U.S. $10.0 million notional amount. In return, Pawnee receives payment of a LIBOR based floating rate amount. This interest rate swap terminates in March 2008, unless terminated by Pawnee's bank, at its option, in March 2007. The interest rate swap is intended to offset a portion of the variable interest rate risk on the credit facility.

In May 2004, Pawnee entered into an interest rate swap agreement with its banking facility that provides for payment of an annual fixed rate of 3.65% on a U.S. $10.0 million notional amount. In return, Pawnee receives payment of a LIBOR based floating rate amount based upon the notional amount. This interest rate swap was replaced in May 2006 by a new interest rate swap that provides for payment of an annual fixed rate of 5.30% on a U.S. $10.0 million notional amount. . In return, Pawnee receives payment of a LIBOR based floating rate amount. The interest rate swap terminates in May 2008, unless terminated by Pawnee's bank, at its option, in May 2007. The interest rate swap is intended to offset a portion of the variable interest accruing on the credit facility.

In May 2005, Pawnee entered into another interest rate swap agreement with its banking facility that provides for payment of an annual fixed rate of 3.99% on a U.S. $10.0 million notional amount. In return, Pawnee receives payment of a LIBOR based floating rate amount based upon the notional amount. The interest rate swap terminates in May 2008, unless terminated by Pawnee's bank, at its option, in May 2007. This interest rate swap is also intended to offset a portion of the variable interest accruing on the credit facility.

In October 2005, Pawnee entered into another interest rate swap agreement with its banking facility that provides for payment of an annual fixed rate of 4.66% on a U.S. $5.0 million notional amount. In return, Pawnee receives payment of a LIBOR based floating rate amount based upon the notional amount. This interest rate swap terminates in October 2008. This interest rate swap is also intended to offset a portion of the variable interest accruing on the credit facility.

Accounting Guideline 13, Hedging Relationships (AcG 13), issued by The Canadian Institute of Chartered Accountants, requires recognition of the fair value of all derivative instruments on the balance sheet as either assets or liabilities. Changes in the derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met. Gains and losses on derivative hedging instruments must be recorded in either comprehensive income or current earnings, depending on the nature and designation of the instrument.

Pawnee's interest rate swaps are not considered trading instruments as it intends to hold them until termination. Nonetheless, the interest rate swaps do not qualify as a hedge for accounting purposes, and are therefore recorded as a separate derivative financial instrument. Accordingly, the estimated fair value of the interest rate swaps are recorded as a liability on the accompanying consolidated balance sheet. Payments made and received pursuant to the terms of the interest rate swaps and adjustments to the fair value of the interest rate swaps are recorded as an adjustment to interest expense. The fair value of interest rate swaps is based upon the estimated net present value of cash flows, and does not necessarily reflect the amount that would be required to settle the interest rate swaps.

13. Obligation under capital leases

Capital lease payments as at June 30, 2006 are summarized as follows:

	June 30, 2006
2006	$14,899
2007	14,367
2008	3,000
Total lease payments	$32,266
Less: interest portion at an average rate of 12.1%	3,484
Balance of obligation	28,782
Less: amounts due within one year	14,636
	$ 14,146

14. Income taxes

Income tax obligations relating to distributions from the Fund are the obligations of its unitholders and accordingly, no provision for income taxes on the income of the Fund has been made. A provision for income taxes is recognized for those of the Fund's subsidiaries that are subject to tax, including large corporation tax.

The table below shows the reconciliation between income tax expense reported in the Statement of Income and the income tax expense that would have resulted from applying the United States federal tax rate of 38% to pre-tax income.

Income before income taxes and non-controlling interest	$2,101,227
Less: Income of the Fund taxable to the recipient	319,703
Income before income taxes and non-controlling interest	1,781,524
U.S. income tax rate – combined	38.0%
Expected U.S. income tax expense	676,979
Expected Canadian income tax expense	37,524
Provision for income taxes	714,503

15. Non-controlling interest

As partial consideration for the acquisition of Pawnee, 1,274,601 Class B shares and 203,936 Class C shares of a Fund subsidiary, Chesswood US Acquisition Co, were issued. These shares are fully exchangeable for Fund Units, on a one-for-one basis, through a series of steps. The Class C shares may be exchanged at any time and the Class B shares may be exchanged after November 8, 2008. The exchangeable shares have been classified as a non-controlling interest in these consolidated financial statements. The Class B shares are entitled to distributions provided that certain minimum distributions on the outstanding Fund Units and the Class C shares have been made.

The non-controlling interest at June 30, 2006 was comprised of:

	Units # 	Amount $	Surplus $	Total $
Class B Exchangeable Acquisitionco	1,274,601	$11,790,063		$11,790,063
Class C Exchangeable Acquisitionco shares issued on the acquisition of Pawnee Leasing Corporation	203,936	2,039,362		2,039,362
Issuance Costs		(1,385,025)		(1,385,025)
Net income attributable to Class B & C Exchangeable Acquisitionco shares for the 52-day period ending June 30, 2006			$241,290	241,290
Distributions declared on Class B & C Exchangeable Acquisitionco shares			(234,669)	(234,669)
Non-Controlling Interest at June 30, 2006	1,478,537	$12,444,400	$6,621	$12,451,021

16. Fund units

The Fund may issue an unlimited number of trust units pursuant to the its Declaration of Trust. Each unit is transferable and represents an equal, undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund in the event of termination or winding up of the Fund. All units are of the same class with equal rights and privileges and are not subject to future calls or assessments. Each unit entitles the holder to one vote at all meetings of unitholders. Trust unit transactions during the period were as follows:

	Number of units	$
Fund Units – beginning of period	-	-
Fund Units issued on initial public offering	5,778,193	57,781,930
Fund Units issued to former cars4U Ltd. shareholders	1,240,523	12,405,230
Issuance costs *(less non-controlling interest share of costs)*		(6,574,886)
Fund Units – June 30, 2006	7,018,716	63,612,274

17. Deferred purchase consideration

On February 25, 2004, Lease-Win purchased the shares and business operations (representing primarily intangible assets) of KRGcars4U Inc. for $690,596. The estimated cost of the contingent consideration as provided in the KRGcars4U Inc. purchase agreement that was payable in common shares of cars4U Ltd. in August 2006 is shown in the equity section of the consolidated balance sheet as deferred purchase consideration. The maximum number of cars4U Ltd. shares, which could have been issued under the purchase agreement was 500,000 shares. The contingent consideration is now payable through the issue of Fund Units. The maximum number of Fund Units issuable under the purchase agreement is 27,100, reflecting the exchange ratio which cars4U Ltd. shares were exchanged for Fund Units under the Plan of Arrangement. This translates to a value of $271,000.

18. Compensation plans

a) Long-term incentive plan

Senior management and key employees of the Fund and its subsidiaries (together, the "Fund Entities") are eligible to participate in the Fund's long-term incentive plan, or LTIP. The purpose of the LTIP is to provide eligible participants with compensation opportunities to attract, motivate and retain key personnel and reward senior management by making a significant portion of their incentive compensation directly dependant upon achieving key strategic, financial and operational objectives that are crucial to ongoing growth and profitability, strengthening the alignment of interests between employees of the Fund Entities and unitholders of the Fund.

Pursuant to the LTIP, the Fund will annually set aside (or cause a subsidiary to set aside) a pool of funds based upon the amount, if any, by which distributable cash of the Fund per Fund Unit (as measured on a fully-diluted basis) exceeds certain defined targets. It is expected that a plan trustee will use a portion of this pool of funds to purchase Fund Units in the market and will hold the remainder in cash or in cash equivalent investments.

The Compensation Committee of the Fund will have the power to, among other things: (i) determine those individuals who will participate in the LTIP; (ii) determine the level of participation of each participant; (iii) determine the time or times when LTIP awards are to be paid to each participant; (iv) the vesting period of the awards; and (v) the allocation between Units and cash of such awards.

Initially, the LTIP will provide for awards that may be earned based on the amount by which distributable cash per annum per Unit (as measured on a fully-diluted basis) exceeds a base threshold per annum equal to $1.15, (the "Base Threshold"). The percentage amount of that excess which forms the LTIP incentive pool will be determined in accordance with the table below:

Percentage by which Distributable Cash per Unit exceeds the Base Threshold	Available for LTIP Payments (Proportion of Excess Distributable Cash)
5% or less	0%
Greater than 5% and up to 10%	10% of any excess over 5% to 10%
Greater than 10% and up to 15%	20% of any excess over 10% to 15%
Greater than 15%	25% of any excess over 15%

The Base Threshold will be subject to review and adjustment by the Compensation Committee of the Fund at least annually. It is expected that Fund Units awarded under the LTIP will initially vest equally over three years following the grant of awards.

b) Unit-based compensation

Certain key employees and officers of certain of the Funds Entities participate in a unit-based compensation plan. Compensation costs related to unit options granted to eligible employees are recognized as a charge to earnings over the vesting period, based on the fair value of the unit options on the grant date.

An analysis of the unit-based options outstanding under the employee unit option plan and other arrangements is as follows:

	Number of options	Weighted average exercise price
Outstanding – Beginning and end of period	113,639	$9.88
Options exercisable at June 30, 2006	113,639	$9.88

Grant date	Number of options	Vested	Expiry date	Exercise price
May 10, 2006	100,000	100,000	May 9, 2016	$10.00
May 10, 2006 (*)	13,639	13,639	October 20, 2014	$8.98

(*) Options issued in replacement for options previously issued by cars4U Ltd. in respect of a previous business acquisition and reflects the exchange ratio which cars4U Ltd. shares were exchanged for Fund Units under the Plan of Arrangement.

Included in salary expense and contributed surplus in the 52-day period ending June 30, 2006 is $74,045 relating to 113,639 options granted during the period.

19. Distribution to unitholders

The Fund declared two cash distributions during the 52-day period ended June 30, 2006 as follows:

Unitholder Record Date	Total Distribution	Per Unit	Date Payable
May 31, 2006	$455,515	$0.0649	June 15, 2006
June 30, 2006	$672,393	$0.0958	July 17, 2006
	$1,127,908	$0.1607	

The distribution for May was for the 22-day period from completion of the Fund's initial public offering to May 31, 2006, consistent with a full month distribution rate of $0.0958 per unit.

20. Cash flow supplementary disclosure

	For the 52-day period ended June 30, 2006
Interest paid	705,144
Income tax installments paid	795,110
Non-cash transactions	
Issuance of units for business acquisition *(see note 2)*	12,405,230
Unit-based compensation	74,045

21. Contingencies and commitments:

Contingencies

In the normal course of business activities, the subsidiary operating entities of the Fund are subject to a number of claims and legal actions that may be made by customers, suppliers and others in respect of which either an adequate provision has been made or for which no material liability is expected.

Commitments

The Fund entities are committed to aggregate minimum rental payments under existing leases for premises as follows:

	$
2006	237,622
2007	342,744
2008	210,243
2009	210,243
2010	210,243
Thereafter	105,121
Total	$ 1,316,216

22. Related party transactions

1) Debentures in the principal amount of $2,080,000 (out of the aggregate $3,500,000 principal amount of the Fund Issued Debentures) were issued to directors of Chesswood GP Limited, which is a wholly-owned subsidiary of the Fund.

2) Pawnee leases a 10,800 square foot office facility. The lessor is a related party because of common ownership between itself and the holders of the Class B and C shares of U.S. AcquistionCo. As of June 30, 2006, the lease payments are U.S.$189,000 per year triple net and run through 2011 with options for two additional five-year terms.

23. Economic dependence

Sherway LP operates under a Dealer Sales and Service Agreement whereby it has the right to act as an authorized dealer for Acura vehicles. The manufacturer may cancel the agreement if the dealership does not observe certain established guidelines.

As the sole source of income of Sherway LP is derived from the sales of the manufacturer's automobiles and related products and services, its ability to continue viable operations is dependent on maintaining its right to act as an authorized dealer. Accordingly, the absence of the dealership would have a material adverse effect on the Fund.

24. Seasonal operations and significant estimates

The Fund's automotive business follows a seasonal pattern, with revenue traditionally being lower in the first quarter than in other quarterly periods. Due to this seasonality, interim earnings statements are not indicative of earnings on an annual basis.

The accounting for the securitization of leases requires the use of significant judgment and estimations in order to measure, at a specific point in time, matters that are inherently uncertain. Due to the fact that future events rarely develop as forecasted and the estimates routinely require adjustments, and may require material adjustment.

25. Segmented information:

The Fund's operations consist of two reporting segments, equipment leasing and automotive operations. The two reporting segments are also in separate geographic locations, the automotive operations are located in Canada and the equipment leasing operations are located in the United States. Segmented information is as follows:

			2006
	Canada	**U.S.**	**Total**
Revenue	$8,053,404	$4,757,009	$12,810,413
Amortization	$89,531	$87,053	$176,584
	$165,562	$1,417,328	$1,582,890
Corporate overhead (***)	($494,033)	-	($494,033)
Net Income	($328,471)	$1,417,328	$1,088,857
Total assets	$36,309,217	$139,808,439	$176,117,656
Net investment in leases	8,790,983	86,738,405	95,529,388
Goodwill	6,568,159	38,756,316	$45,324,475
Intangible assets	3,469,658	12,482,051	$15,951,709

(***) Includes unrealized loss on foreign exchange of $265,933

Directors, Trustees and Officers

Trustees, Directors and Officers

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President & C.E.O.,
RioCan Real Estate Investment Trust
**Queen's Counsel*

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Trustee
Chairman, Compensation Committee
C.E.O., Falls Management Company
Chairman, Toronto Hydro Corporation

Frederick W. Steiner
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**Director of Chesswood GP Limited, which is a 100% owned subsidiary of Chesswood Income Fund.

Fund Executive Team

Barry Shafran
President & C.E.O.

Lisa Stevenson
Director of Finance

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