
OCP Credit Trust

Interim Financial Statements
for the period January 1 to June 30, 2011

NOTICE TO READER:

These interim financial statements and related notes for the six month period ended June 30, 2011 have been prepared by the management of the Fund. The external auditors of the Fund have not audited or reviewed these interim financial statements.

OCP CREDIT TRUST
STATEMENTS OF NET ASSETS (Unaudited)

As at	June 30, 2011 \$	December 31, 2010 \$
Assets		
Unrealized gain on total return swap <i>[Note 3]</i>	1,269,801	367,778
Unrealized gain on forward contracts <i>[Note 4]</i>	3,493,880	1,446,170
Investments, at fair value	202,557,989	–
Cash	36,971,252	242,930,946
Cash on deposit with broker as collateral <i>[Note 3]</i>	93,814,051	59,651,465
Receivables for investments sold	6,245,544	17,639,514
Accrued interest	4,028,426	319,215
	348,380,943	322,355,088
Liabilities		
Accounts payable and accrued liabilities	509,203	358,527
Distributions payable	5,500,000	–
Interest payable	309,800	–
Payables for investments purchased	22,074,165	–
	28,393,168	358,527
Net Assets	319,987,775	321,996,561
Number of units outstanding <i>[Note 8]</i>	34,121,864	34,121,864
Net assets per unit	\$9.38	\$9.44

See accompanying notes

OCP CREDIT TRUST
STATEMENT OF OPERATIONS (Unaudited)

For the six months ended June 30

2011
\$

Investment income

Interest 12,138,726

Expenses

Management fees [Note 7] 1,615,622

Interest expense 1,562,998

Harmonized sales tax 214,886

Legal and research fees 34,081

Custodian and valuation fees 27,144

Audit fees 9,349

Independent review committee fees 4,299

Trustee fees 3,763

Securityholder reporting costs 614

3,472,756

Net investment income 8,665,970

Realized and unrealized gain (loss) on investments

Net realized foreign exchange gain 655,221

Net realized gain on sale of investments [Note 9] 402,685

Net realized gain on swaps 365,114

Net change in unrealized depreciation of investments (2,997,509)

Net change in unrealized appreciation of derivatives 2,949,733

Net gain on investments 1,375,244

Increase in net assets from operations 10,041,214

Increase in net assets from operations per unit \$0.29

See accompanying notes

OCP CREDIT TRUST
STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

For the six months ended June 30	2011 \$
Increase in net assets from operations	10,041,214
Distributions to unitholder [Note 6]	
Income	(8,665,970)
Capital gain	(1,375,244)
Return of capital	(2,008,786)
	(12,050,000)
Decrease in net assets for the period	(2,008,786)
Net assets, beginning of period	321,996,561
Net assets, end of period	319,987,775

See accompanying notes

OCP CREDIT TRUST
SCHEDULE OF INVESTMENTS (Unaudited)

As at June 30, 2011

Number of Shares or Par Value (US\$)	Description	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Portfolio
BONDS					
14,118,193	ACST Pass Through Trust Floating Rate	June 14, 2037	12,295,924	12,491,629	
Total Bonds			12,295,924	12,491,629	6.17%
BANK DEBT					
3,970,000	Altegrity Inc. (f/k/a U.S. Investigation Services Inc.), Term Loan	February 21, 2015	3,865,376	3,854,782	
19,000,000	Apollo Management Holdings, L.P., Term Loan	January 3, 2017	17,519,243	17,223,256	
4,895,922	Aveta Inc., Term Loan	April 14, 2015	4,793,193	4,723,341	
5,486,250	Brock Holdings III, Inc., Term Loan	March 16, 2017	5,340,866	5,312,701	
3,588,889	Commscope Inc., Term Loan	January 14, 2018	3,599,506	3,469,532	
11,152,450	Equipower Resources Holdings, LLC, Term Loan	January 26, 2018	11,071,915	10,754,843	
15,298,710	Federal Mogul Corporation, Term Loan	December 27, 2014	14,437,820	13,947,117	
10,000,000	First Data Corporation, Term Loan B-2	September 24, 2014	9,051,162	8,921,319	
4,249,719	Houghton International Inc., Term Loan	January 29, 2016	5,801,010	5,987,594	
5,028,736	KAR Auction Services Inc., Term Loan	May 20, 2017	4,857,479	4,858,544	
4,287,904	La Paloma Generating Company LLC, Term Loan	August 16, 2012	4,119,247	4,005,812	
10,400,000	Level 3 Financing Inc., Term Loan	March 13, 2014	9,840,799	9,694,916	
10,057,471	MetroPCS Wireless Inc., Term Loan	March 19, 2018	9,713,047	9,662,532	
4,000,000	Nortek Inc., Term Loan	April 26, 2017	3,798,906	3,857,392	
12,259,275	Radio One Inc., Term Loan	March 31, 2016	11,672,324	11,955,208	
12,623,497	Select Medical Corporation, Term Loan	June 1, 2018	12,148,597	11,929,976	
3,368,008	Spectrum Brands Inc., Term Loan	June 16, 2016	3,365,349	3,264,171	
9,439,389	Springleaf Financial Funding Company, Term Loan	May 10, 2017	9,188,905	8,911,314	
13,018,219	Styron S.A.R.L., Term Loan	August 2, 2017	12,886,757	12,538,401	
12,266,066	TC Group, LLC, Term Loan	December 5, 2015	11,517,390	11,163,389	
5,084,650	Texas Competitive Electric Holdings Company, Extending Term Loan	October 10, 2017	3,919,630	3,818,501	
3,583,020	The AES Corporation, Term Loan	May 28, 2018	3,481,514	3,458,734	
9,974,026	U.S. Foodservice Inc., Term Loan	July 3, 2014	9,184,891	8,991,897	
8,048,015	Willbros United States Holdings Inc., Term Loan	June 30, 2014	8,084,647	7,761,088	
Total Bank Debt			193,259,573	190,066,360	93.83%
Total Investments			205,555,497	202,557,989	100.00%

OCP CREDIT TRUST
SCHEDULE OF TOTAL RETURN SWAP (Unaudited)

As at June 30, 2011

Number of Shares or Par Value (US\$)	Description	Maturity Date	Average Cost (US\$)	Fair Value (US\$)
BONDS				
802,000	Atkore International Inc., 9.875%	January 1, 2018	829,201	842,100
3,500,000	Ceva Group PLC, 8.375%	December 1, 2017	3,544,722	3,539,375
1,062,000	CityCenter Holdings Finance, 7.625%	January 15, 2016	1,062,000	1,096,515
4,000,000	Delta Air Lines, 9.50%	September 15, 2014	4,462,556	4,265,000
4,000,000	NAI Entertainment Holdings LLC, 8.25%	December 15, 2017	4,149,500	4,290,000
Total Bonds			14,047,979	14,032,990
BANK DEBT				
2,023,367	Altegrity Inc. (f/k/a US Investigation Services Inc.), Term Loan	February 21, 2015	1,927,257	1,980,370
7,512,588	Ascend Learning, LLC, Term Loan	December 6, 2016	7,362,336	7,475,025
7,828,886	Aveta Inc., Term Loan	April 14, 2015	7,594,020	7,832,151
12,301,201	AWAS Finance, Term Loan	June 10, 2016	12,732,381	12,342,200
6,825,000	Boyd Gaming Corporation, Term Loan	December 17, 2015	6,499,594	6,593,237
13,524,538	Brickman Group Holdings, Term Loan	October 14, 2016	13,751,037	13,676,689
1,659,273	Bright Horizons Family Solutions Inc., Term Loan	May 28, 2015	1,667,570	1,663,421
7,945,317	Caesars Entertainment Operating Co. Inc. (f/k/a Harrah's Operating Company, Inc.), Term Loan B3	January 28, 2015	7,199,202	7,128,443
4,962,217	Caesars Entertainment Operating Co. Inc. (f/k/a Harrah's Operating Company, Inc.), Term Loan B4	October 31, 2016	5,154,502	5,169,727
10,000,000	Caesars Linq, LLC / Caesars Octavius, LLC	April 25, 2017	9,900,000	10,055,000
6,951,130	CCS Inc., Term Loan	November 14, 2014	6,263,465	6,598,110
5,185,473	Ceva Group PLC (f/k/a Louis No. 1 PLC/TNT Logistics)	August 31, 2016	4,913,235	5,062,318
77,532	Charter Communications Operating LLC, Term Loan B2	March 6, 2014	80,731	77,842
155,061	Charter Communications Operating LLC, Term Loan B1	March 6, 2014	151,960	154,950
10,000,000	CIT Group, Inc., Term Loan	August 11, 2015	10,202,500	10,048,210
14,657,601	CityCenter Holdings LLC, Term Loan	January 21, 2015	14,914,109	14,743,099
1,739,658	Commscope Inc., Term Loan	January 14, 2018	1,730,960	1,743,978
15,958,173	Delos Aircraft Inc., Term Loan	March 17, 2016	16,279,002	16,006,622
2,529,296	Delta Air Lines, Inc., Term Loan	March 7, 2016	2,516,649	2,492,937
3,969,152	Federal Mogul Corporation, Term Loan	December 27, 2014	3,592,082	3,752,265
1,459,821	FIG LLC, Term Loan	October 7, 2015	1,478,069	1,478,069
2,327,711	First Data Corporation, Term Loan B-1	September 24, 2014	2,109,488	2,153,398
4,655,422	First Data Corporation, Term Loan B-2	September 24, 2014	4,218,976	4,306,796
4,962,500	Graham Packaging Company LP, Term Loan	September 23, 2016	5,030,734	4,968,673
9,767,964	Guitar Center, Inc. Term Loan	April 9, 2017	9,051,347	9,148,314
3,565,251	Houghton International Inc., Term Loan	January 29, 2016	3,547,425	3,585,306

OCP CREDIT TRUST
SCHEDULE OF TOTAL RETURN SWAP (Unaudited) continued

As at June 30, 2011

Number of Shares or Par Value (US\$)	Description	Maturity Date	Average Cost (US\$)	Fair Value (US\$)
8,750,000	Intelsat Jackson Holdings S.A, Term Loan	February 1, 2014	8,343,750	8,421,875
12,022,500	Intelsat Jackson Holdings SA, Term Loan	April 2, 2018	11,996,738	12,055,057
2,493,750	Knology Inc., Term Loan	August 18, 2017	2,493,750	2,480,503
12,300,000	Lawson Software, Inc., Term Loan	July 5, 2017	11,808,000	11,788,320
10,000,000	Level 3 Financing Inc., Term Loan	March 13, 2014	9,343,750	9,666,670
4,925,204	NBTY Inc., Term Loan	October 1, 2017	4,925,204	4,919,732
4,784,955	Novelis Corporation, Term Loan	March 10, 2017	4,737,105	4,790,271
5,297,191	Nyco Holdings, Term Loan	December 29, 2013	5,041,790	5,220,381
5,800,850	Remy International Inc., Term Loan	December 16, 2016	5,808,101	5,822,603
5,000,000	Ship Luxco, Term Loan	November 30, 2017	5,043,750	4,977,085
10,700,000	Springleaf Financial Funding Company, Term Loan	May 10, 2017	10,646,500	10,474,851
8,955,000	Syniverse Holdings Inc., Term Loan	December 21, 2017	8,989,825	8,992,315
1,789,920	Texas Competitive Electric Holdings Company, Non-Extending Term Loan	October 10, 2014	1,424,105	1,494,903
8,745,000	The Great Atlantic & Pacific Tea Company Inc., Term Loan	June 14, 2012	8,846,296	8,810,588
2,976,744	The ServiceMaster Company, Term Loan	July 24, 2014	2,824,186	2,889,097
2,892,403	U.S. Foodservice, Inc. Term Loan	July 3, 2014	2,639,318	2,703,995
4,494,949	Universal City Development Partners Limited, Term Loan	November 6, 2014	4,551,136	4,501,503
15,970,000	Venetian Orient Limited, Term Loan	May 18, 2015	15,443,437	15,860,207
Total Bank Debt			284,775,372	286,107,106
Total Bonds and Bank Debt			298,823,351	300,140,096
Unrealized gain on total return swap (US\$)				1,316,745
Unrealized gain on total return swap (C\$)				1,269,801

See accompanying notes

OCP CREDIT TRUST
NOTES TO FINANCIAL STATEMENTS (Unaudited)

JUNE 30, 2011

1. THE FUND

OCP Credit Trust (the “**Fund**”) is an investment fund governed by the laws of the Province of Ontario by a Declaration of Trust dated October 25, 2010. On November 19, 2010 the Fund commenced operations.

The Fund was established for the purpose of acquiring and holding an actively managed, diversified portfolio (the “**Portfolio**”) comprised primarily of senior secured loans and other senior debt obligations of non-investment grade North American issuers. The Fund may invest in, or use, derivative instruments to achieve its investment objectives. In the pursuit of its objectives, the Fund may employ leverage up to 40% of its total assets.

The manager of the Fund is Onex Credit Partners, LLC (the “**Manager**”), as such, the Fund is dependent on the Manager for the administration and management of all matters relating to its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“**GAAP**”). In applying Canadian GAAP, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Significant estimates include the valuation of investments. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Investments

Investments are categorized as held for trading and recorded at their fair value. In the case of publicly traded securities, fair value means the closing bid price for long positions and the closing ask price for short positions. For bonds and bank debt, fair market value means the bid or ask price provided by independent security pricing services or broker quotes. The difference between fair value and average cost, as recorded in the accounts, is shown as “Net change in unrealized depreciation of investments” in the Statement of Operations. Average cost is used to determine the gain or loss on investments sold.

Derivative financial instruments such as total return swaps and forward contracts are valued at each valuation date according to the gain or loss that would be recognized if the contracts were closed out. Cash on deposit with broker as collateral is noted in the Statement of Net Assets. Derivative financial instruments are recorded at their respective fair values. Realized gains and losses on forward contracts are included in the Statement of Operations under “Net realized foreign exchange gain”. Unrealized gains and losses on derivatives are included in the Statement of Operations under “Net change in unrealized appreciation of derivatives”.

Investment transactions are recorded on the trade date.

Income and expense recognition

The accrual method of recording income and expenses is followed.

Foreign currency translation

Investments at fair value and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange applicable on the valuation dates. Investment transactions and income and expenses are translated at the rate of exchange on the date of such transactions.

Realized foreign currency gains and losses on investments are included in the Statement of Operations in “Net realized foreign exchange gain”.

Increase in net assets from operations per unit

The increase in net assets from operations per unit in the Statement of Operations represents the increase in net assets from operations during the period, divided by the weighted average number of units outstanding during the period.

OCP CREDIT TRUST
NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

Valuation of fund units for transaction purposes

Net asset value per unit is calculated daily by dividing the net asset value by the outstanding units.

Net assets per unit for financial reporting purposes are determined in the same manner as above, except for investments which are accounted for in accordance with CICA Handbook Section 3855.

As at June 30, 2011, there is no difference between net asset value for pricing purposes and net assets for financial reporting purposes.

Income taxes

No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized taxable capital gains are distributed to the unitholder.

3. TOTAL RETURN SWAP

The Fund's investment strategy is to deliver attractive risk-adjusted returns and stable income while emphasizing preservation of capital and capital appreciation by targeting senior secured loans and other senior debt obligations of non-investment grade issuers. To provide the Fund with the means to meet its investment objective, on December 20, 2010 the Fund has entered into a total return swap ("TRS Facility") with The Bank of Nova Scotia (the "Counterparty") as the counterparty.

Pursuant to the TRS Facility, the Counterparty agreed to pay to the Fund the total return of the defined underlying reference assets which includes both the income they may generate and any capital appreciation. In return, the Fund will pay to the Counterparty a funding cost calculated daily based on a floating rate option plus a spread of 1.25%, and any administrative fees or expenses which are incurred by the Counterparty directly. The floating rate option varies depending on the currency in which the reference assets are denominated. The following summarizes the floating rate options:

Base Currency of Reference Assets	Floating Rate Options
USD	USD-LIBOR-BBA
Euro	EUR-ERIBOR-Reuters
GBP	GBP-LIBOR-BBA
CAD	CAD-BA-CDOR

If the prices of the underlying reference assets fall, the Fund will be required to pay the amount by which the assets have fallen in price to the Counterparty upon the deletion of a reference asset.

The reference assets of the TRS Facility are listed in the Schedule of Total Return Swap.

The Fund has \$93,814,051 (December 31, 2010 – \$59,651,465) on deposit with the Counterparty as credit support. Interest earned on the collateral is paid to the Fund and is shown as interest income in the Statement of Operations.

OCP CREDIT TRUST
NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

4. FORWARD CONTRACT

The Fund had entered into forward currency contracts to deliver currencies at a specific future date as follows:

As at June 30, 2011:

Sale	Amount \$	Purchase	Amount \$	Contract price \$	Settlement date	Unrealized foreign exchange gain (loss) on contract \$
USD	319,638,292	CDN	311,866,287	1.0249	July 11, 2011	3,543,443
EUR	4,271,000	CDN	5,931,309	0.7201	July 20, 2011	(49,563)
						3,493,880

As at December 31, 2010:

Sale	Amount \$	Purchase	Amount \$	Contract price \$	Settlement date	Unrealized foreign exchange gain on contract \$
USD	132,599,227	CDN	133,278,135	0.9949	January 4, 2011	1,446,170

The counterparty is rated A by Standard & Poor's.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments of the Fund include cash, cash on deposit with broker as collateral, receivables for investments sold, accrued interest, interest payable, distributions payable, payables for investments purchased and accounts payable and accrued liabilities. There are no significant differences between the carrying values of these financial instruments and their fair value. Derivatives are carried at their fair values as described in Note 2 above.

The following tables show financial instruments recorded at fair value, categorized between those whose fair value is based on quoted market prices (Level 1), those involving valuation techniques where all the model inputs are observable in the market (Level 2) and those where the valuation technique involves the use of non-market observable inputs (Level 3).

As at June 30, 2011:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Financial assets				
Bonds	–	12,491,629	–	12,491,629
Bank debt	–	190,066,360	–	190,066,360
Total return swap	–	1,269,801	–	1,269,801
Forward contracts	–	3,493,880	–	3,493,880
	–	207,321,670	–	207,321,670

OCP CREDIT TRUST
NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

As at December 31, 2010:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Financial assets				
Total return swap	–	367,778	–	367,778
Forward contract	–	1,446,170	–	1,446,470
	–	1,813,948	–	1,813,948

6. DISTRIBUTIONS

To the extent that the Fund has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by the Fund will be paid through an additional distribution, being the issuance of additional units having a net asset value in the aggregate at the date of distribution equal to this difference. Immediately after any such additional distribution, the number of outstanding units will be consolidated such that the unitholder will hold after the consolidation the same number of units as it held before the distribution of additional units.

7. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual management fee of 1.00% based on the net asset value of the Fund. This fee is calculated daily and paid monthly in arrears.

The Fund is responsible for all costs relating to its administration and operation.

All transactions with the Manager are measured at the exchange amounts, and occur within the normal course of business.

8. UNITS ISSUED AND OUTSTANDING

The Fund is authorized to issue an unlimited number of transferable and redeemable units of a single class, each of which represents an equal undivided interest in the net assets of the Fund. The unitholder is entitled to redeem its units outstanding on any business day and will receive a redemption price equal to the net asset value per unit of the Fund. There were no changes to the number of units outstanding for the period ended June 30, 2011.

9. NET REALIZED GAIN ON SALE OF INVESTMENTS

The net realized gain on sale of investments for the period ended June 30 was as follows:

	2011 \$
Proceeds on sale of investments	39,256,390
Less cost of investments sold	
Investments, beginning of period	–
Investments purchased during the period	244,409,202
Investments, cost end of period	(205,555,497)
Cost of investments sold	38,853,705
Net realized gain on sale of investments	402,685

OCP CREDIT TRUST
NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

10. MANAGEMENT OF FINANCIAL RISKS

In the normal course of business, the Fund is exposed to various financial risks, including credit risk, liquidity risk and market risk (consisting of interest rate risk and currency risk). The Fund's overall risk management program seeks to minimize potentially adverse effects of these risks on the Fund's financial performance by employing professional, experienced portfolio managers, by monitoring daily the Fund's positions and market events and by diversifying the investment Portfolio within the constraints of the investment guidelines. To assist in managing risk, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, investment guidelines and securities regulations.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The Fund invests primarily in senior secured loans and other senior debt obligations of non-investment grade issuers, which involves risk of loss and price changes due to such factors as an issuer's credit worthiness. This represents the main concentration of credit risk. The fair value of debt securities held directly or in the TRS Facility, includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit exposure of the Fund. The Fund currently uses only one counterparty for its TRS Facility. Credit risk for the TRS Facility is managed by dealing with a counterparty that has a current credit rating of AA- by Standard and Poor's.

As part of its cash management, the Fund limits its direct exposure to credit loss by placing its cash with high credit quality financial institutions.

As at June 30, 2011, direct and indirect exposure to debt securities by credit rating is as follows:

Credit Rating	As a % of net assets
A	3.90
BBB	8.99
BB	39.36
B	89.73
CCC	2.90
Not Rated*	8.87

*Not rated by Standard & Poor's Rating Services.

Liquidity risk

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

As at June 30, 2011, approximately 35.9% (December 31, 2010 – 99.5%) of the Fund's net assets are held in cash (adjusted for receivables for investments sold and payables for investments purchased) and as a result, the Fund's liquidity risk is considered minimal.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Changes in the prevailing levels of market interest rates are not expected to have a significant impact on the fair value of the Fund's interest-bearing financial instruments, the TRS Facility or the related funding costs.

OCP CREDIT TRUST
NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund invests its assets in securities that are denominated in a currency other than the Canadian dollar, the functional currency of the Fund. Consequently, the Fund is exposed to currency risk as the fair value of the Portfolio securities denominated in currencies other than the Canadian dollar will vary due to changes in foreign currency exchange rates. For the period ended June 30, 2011, the Fund does not have a significant exposure to foreign exchange risk as substantially all of the Fund's foreign exposure is hedged back to the Canadian dollar.

11. CAPITAL MANAGEMENT

Units issued and outstanding represent the capital of the Fund. The Fund has no restrictions or specific capital requirements and is authorized to issue an unlimited number of redeemable units as specified in the Prospectus. Restrictions and specific requirements on the redemption of units are described in Note 8. The Statement of Changes in Net Assets and Note 8 outline the relevant changes of the Fund's units for the year.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 10 while maintaining sufficient liquidity to meet unitholder redemptions.

12. INCOME TAXES

The Fund qualifies as a unit trust under the provisions of the Income Tax Act (Canada) and will follow "financial institution" rules for purposes of the "mark-to-market" provisions contained in the Tax Act (Canada). The Fund is not subject to tax on that portion of its income, including net realized capital gains for its taxation year that is paid or payable to its unitholder. Income tax on net realized capital gains not paid or payable will be generally recoverable by virtue of refunding provisions contained in the Income Tax Act (Canada) and provincial income tax legislation, as redemptions occur. It is the intention of the Fund to pay all net taxable income and sufficient net taxable gains so that the Fund will not be subject to income taxes. Occasionally, the Fund may distribute more than it earns. This excess distribution is a return of capital and is not taxable to the unitholder.

The Fund may be subject to "minimum tax" under the Tax Act. The Manager will endeavour to manage the Fund in a manner such that the Fund will not be subject to minimum tax.

13. INTERNATIONAL FINANCIAL REPORTING STANDARDS

On January 12, 2011, the Canadian Accounting Standards Board made a decision to extend the deferral of the adoption of International Financial Reporting Standards ("IFRS") by investment companies for an additional year to January 1, 2013. This results in a two-year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. Consequently, IFRS would be applicable to the Fund for the fiscal year beginning January 1, 2013. At the transition date the prior fiscal year financial statements will require restatement to IFRS for comparative purposes.

The Fund is continuing with its orderly transition plan to meet the requirements to changeover to IFRS. The Fund has reviewed the existing body of IFRS against its current policies under Canadian GAAP and has noted certain policy differences. The major changes identified include the addition of a statement of cash flows and the classification of unitholder's equity (puttable instruments) as a liability unless certain conditions are met, as well as more extensive note disclosure requirements. These changes will not have an impact on the Fund's results of operations or financial position.

The process of evaluating the potential impact of IFRS on the financial statements is ongoing as the International Accounting Standards Board and the Canadian Accounting Standards Board continue to issue new standards and recommendations.