Financial Statements of

THE McELVAINE INVESTMENT TRUST

Year ended December 31, 2008

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of The McElvaine Investment Trust (the "Trust") have been prepared by the Manager, McElvaine Investment Management Ltd. The Manager is responsible for the preparation and presentation of the Trust's financial statements and for the development of internal controls over the financial reporting process.

The Manager is responsible for reviewing and approving the financial statements and for overseeing the Trust's financial reporting responsibilities. The Manager has approved the accompanying financial statements of the Trust.

KPMG LLP, the external auditors of the Trust, were appointed by the Manager. As explained in their auditors' report, KPMG LLP have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their auditors' report follows.

McElvaine Investment Management Ltd.

Tim McElvaine, Director

January 16, 2009

KPMG

KPMG LLP
Chartered Accountants
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AUDITORS' REPORT

To the Unitholders of
The McElvaine Investment Trust

We have audited the statement of net assets and the schedule of investment portfolio of The McElvaine Investment Trust as at December 31, 2008, and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Trust's Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Manager, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2008 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
January 16, 2009

THE McELVAINE INVESTMENT TRUST

Statement of Net Assets

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Investment portfolio, at fair value	$ 65,907,625	$ 89,928,126
Cash and deposits	5,020,640	1,820,208
Subscriptions receivable	165,533	228,106
Distributions and interest receivable	185,908	105,275
	71,279,706	92,081,715
Liabilities		
Redemptions payable	3,177,149	278,177
Accounts payable and accrued liabilities	98,792	75,195
	3,275,941	353,372
Net assets	$ 68,003,765	$ 91,728,343
Net assets by series:		
Series A	$ 954,434	$ -
Series B	66,929,391	91,728,343
Series F	119,940	-
Number of units outstanding (note 3):		
Series A	175,357	-
Series B	4,980,847	3,486,016
Series F	21,123	-
Net assets per unit:		
Series A	$ 5.44	$ -
Series B	13.44	26.31
Series F	5.68	-

See accompanying notes to financial statements.

Approved by the Manager
McElvaine Investment Management Ltd.

Tim McElvaine, Director

THE McELVAINE INVESTMENT TRUST

Schedule of Investment Portfolio

December 31, 2008

	Number of shares	Cost	Fair value
Canada - Equities (77.0% of net assets)			
Arbor Memorial Services Inc.	100,000	$ 905,000	$ 1,900,000
Canaccord Capital Inc.	250,000	826,010	1,007,500
CanWest Global Communications Corp.	1,750,000	4,419,211	1,365,000
EGI Financial Holdings Inc.	762,898	6,235,407	4,966,466
Forest & Marine Investments Ltd.	499,800	1,654,271	69,972
Glacier Ventures International Corporation	5,000,000	11,431,848	10,750,000
GMP Capital Trust	200,000	781,440	1,008,000
Indigo Books & Music Inc.	784,996	5,533,941	9,231,553
Maple Leaf Foods Inc.	500,000	5,065,650	5,530,000
Newfoundland Capital Corp. Ltd.	309,800	2,915,425	5,266,600
Rainmaker Entertainment Inc. (note 8)	5,451,228	9,868,492	3,270,736
Sun-Rype Products Ltd.	415,573	2,774,587	2,289,807
The Caldwell Partners International Inc.	850,000	1,067,895	578,000
TimberWest Forest Corp.	850,000	3,827,496	3,009,000
Village Farms Income Fund	2,008,183	4,140,019	2,108,592
Total Canadian securities		$ 61,446,692	$ 52,351,226
United States - Equities (19.9%)			
CBS Corporation, Class B	500,000	$ 5,630,692	$ 5,055,306
Citadel Broadcasting Corp.	3,852,634	7,559,657	760,977
Friedman, Billings, Ramsey Group, Inc.	4,642,554	5,328,326	922,734
Sotheby's	100,000	1,128,059	1,087,601
The McGraw-Hill Companies, Inc.	200,000	6,237,033	5,720,705
Total United States securities		$ 25,883,767	$ 13,547,323
Transaction costs for securities (note 2(d))		$ (342,580)	$ -
Total securities **(96.9%)**		$ 86,987,878	$ 65,898,549
Forward foreign currency contracts (0.0%) (note 4)			
Net unrealized gain on forward foreign currency contracts			9,076
Total investment portfolio at fair value, December 31, 2008 **(96.9%)**			$ 65,907,625
Other assets less liabilities **(3.1%)**			2,096,140
Net assets (100%)			$ 68,003,765

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statement of Operations

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Investment income:		
Dividends	$ 726,418	$ 866,259
Interest	166,499	585,968
Withholding tax	(42,506)	(2,565)
Other income	32,579	13,316
	882,990	1,462,978
Expenses:		
Management fee (note 6)	742,084	383,620
Trustee, custodial and legal fees	134,816	128,361
Audit and tax fees	30,084	42,700
Bank charges and interest	178	90
Goods and services tax	47,506	33,264
	954,668	588,035
Net investment gain (loss)	$ (71,678)	$ 874,943
Net realized gains:		
Proceeds from sale of securities	$ 46,993,802	$ 26,230,342
Securities at cost, beginning of year	65,160,153	65,336,037
Cost of securities purchased during the year (note 3)	66,799,784	20,515,117
	131,959,937	85,851,154
Securities at cost, end of year	(86,987,878)	(65,160,153)
Cost of securities sold	44,972,059	20,691,001
Gain on sale of securities	2,021,743	5,539,341
Foreign exchange	(328,781)	(64,650)
Forward foreign currency contracts	(1,303,199)	-
Transaction costs (note 2(d))	(380,778)	(214,715)
	8,985	5,259,976
Change in net unrealized appreciation (depreciation) of:		
Securities	(45,850,152)	(6,067,991)
Forward foreign currency contracts	9,076	-
	(45,841,076)	(6,067,991)
Net loss from investing activities	(45,832,091)	(808,015)
Income (loss) from operations	$(45,903,769)	$ 66,928
Income (loss) from operations by series:		
Series A	$ (827,252)	$ -
Series B	(44,998,799)	66,928
Series F	(77,718)	-
Income (loss) from operations per unit:		
Series A	$ (5.21)	$ -
Series B	(12.44)	0.02
Series F	(4.95)	-

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statement of Changes in Net Assets

Year ended December 31, 2008, with comparative figures for 2007

	Series A	Series B	Series F	Total
Net assets, December 31, 2006	$ -	$ 96,505,696	$ -	$ 96,505,696
Income from operations	-	66,928	-	66,928
Distributions paid from realized capital gains	-	(1,734,278)	-	(1,734,278)
Unit transactions (note 3):				
Issued for cash	-	6,183,233	-	6,183,233
Reinvestment of distributions	-	1,734,278	-	1,734,278
Redeemed	-	(11,027,514)	-	(11,027,514)
	-	(3,110,003)	-	(3,110,003)
Decrease in net assets	-	(4,777,353)	-	(4,777,353)
Net assets, December 31, 2007	-	91,728,343	-	91,728,343
Loss from operations	(827,252)	(44,998,799)	(77,718)	(45,903,769)
Unit transactions (note 3):				
Issued for cash	1,965,149	15,180,154	246,641	17,391,944
Issued to McElvaine Value Fund Ltd. for securities	-	32,759,686	-	32,759,686
Redeemed	(183,463)	(27,739,993)	(48,983)	(27,972,439)
	1,781,686	20,199,847	197,658	22,179,191
Decrease in net assets	954,434	(24,798,952)	119,940	(23,724,578)
Net assets, December 31, 2008	$ 954,434	$ 66,929,391	$ 119,940	$ 68,003,765

See accompanying notes to financial statements.

1. Organization:

The McElvaine Investment Trust (the "Trust") is an unincorporated unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002 and January 1, 2008 (the "Trust Agreement"), between McElvaine Investment Management Ltd. and RBC Dexia Investor Services Trust (the "Trustee"). The Trust is managed by McElvaine Investment Management Ltd. (the "Manager" or "Investment Counsel"), which also provides investment counselling services.

Investment capital is contributed to the Trust through the purchase of Series A, B or F units at a value established on a monthly basis (note 10).

2. Significant accounting policies:

The financial statements of the Trust are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies are described below.

(a) Changes in accounting standards:

The Canadian Institute of Chartered Accountants ("CICA") has issued Handbook Section 3862, *Financial Instruments Disclosures* ("S3862") and Section 3863, *Financial Instruments Presentation* ("S3863"), which the Trust adopted on January 1, 2008. The new standards increase the emphasis on the disclosure of risks associated with financial instruments, and how those risks are managed (refer to note 7). Adoption of the new standards did not impact the Trust's net assets. Risks of investing in the Trust are disclosed in more detail in the Trust's Confidential Offering Memorandum.

(b) Valuation of units:

Net assets are calculated for each series of units. Net assets attributable to a particular series of units are computed by calculating the value of that series' proportionate share of the assets and liabilities of the Trust common to all series plus net assets of the Trust attributable only to that series.

For unit sales and redemption pricing purposes, the Trust continues to calculate net asset value (NAV, note 10) on a basis consistent with the investment funds industry and in accordance with Rules and Policies implemented by the Canadian Securities Administrators (the "CSA") whereby investments are valued at either the last sale price or the midpoint between closing bid and asked quotations.

2. Significant accounting policies (continued):

(c) Investments:

Investments are stated at period-end fair values, which are generally determined based on closing bid prices reported either by appropriate securities exchanges or in the over-the-counter market. In respect of any securities for which the closing bid price is not considered to be representative of fair value, such securities are valued at their fair value as determined by the Trustee, in consultation with the Manager, on the basis of the latest reported information available.

Average cost is used to compute realized gains and losses on investments.

(d) Transaction costs:

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities, are charged to income (loss) from operations in the period incurred, as separately disclosed in the statement of operations.

(e) Foreign exchange:

Purchases and sales of foreign securities and the related income are translated into Canadian dollars at the rate of exchange prevailing at the date of the respective transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the close of each valuation day. Realized gains and losses, and the change in unrealized gains and losses, on foreign currency transactions, including the purchase and sale of forward contracts, are included in the statement of operations.

(f) Forward foreign currency contracts:

The Trust may enter into forward foreign currency contracts, the purpose of which is to provide an economic hedge against investment portfolio exposure to foreign currency fluctuations. The carrying value of these forward contracts, which is recorded in the schedule of investment portfolio, is the gain or loss that would be realized if, on valuation day, the positions were closed out. For financial statement purposes this value is recorded as an unrealized gain or loss in the statements of operations. When the contracts are closed or expire, gains and losses are included in realized gains and losses in the statement of operations.

Gains and losses arise due to changes in the value of the foreign currency in relation to the Canadian dollar. Losses may also occur if the counterparty does not perform under the contract.

2. Significant accounting policies (continued):

(g) Income and expenses:

The accrual method of recording income and expenses is followed by the Trust, with dividends recorded as receivable on the ex-dividend date of the related shares. Distributions received from income or royalty trusts are recorded as income, capital gain or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from income and royalty trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment and are included as a reduction of the "cost of securities purchased during the year" in the statement of operations.

Investment income, net realized gains (losses) and change in net unrealized appreciation (depreciation) of securities are allocated among series of units based on each series' proportionate share of the net assets of the Trust.

Expenses directly attributable to a series are charged to that series, and other expenses are allocated proportionately based upon the relative net assets of each series.

(h) Per unit values:

Per unit amounts for each series of the Trust are calculated as follows:

Net assets per unit	On the number of units outstanding at the period-end with investments valued using closing bid prices
Net asset value ("NAV ") per unit (note 10)	On the number of units outstanding at the period-end with investments valued using either the last sale price or the midpoint between closing bid and asked quotations
Income (loss) from operations	On the monthly weighted average number of units outstanding during the period

(i) Use of estimates:

The preparation of financial statements requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, gains and losses during the reporting year. Actual results could differ from those estimates.

(j) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period.

3. Unitholders' equity:

Pursuant to the Trust Agreement, the Trust is authorized to issue an unlimited number of units in three distinct series of units as follows:

Series A units are available to all investors. May be subject to a fee if redeemed early. Dealers may charge a commission or fee of up to 2% of the total purchase. May be redesignated by the unitholder as Series F.

Series B units are available only from the Manager. May qualify for redesignation by the unitholder as Series A or F. Effective January 1, 2008, all outstanding units of the Trust were designated as Series B units.

Series F units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. May qualify for redesignation by the unitholder as Series A.

Redemptions may only occur on the last business day of every month, with appropriate notice, and may be restricted in certain circumstances in accordance with the Trust Agreement.

Continuity of the number of issued units is summarized as follows:

	2008	2007
Series A:		
Balance, beginning of year	-	-
Issued for cash	207,622	-
Redeemed	(32,265)	-
Balance, end of year	175,357	-
Series B:		
Balance, beginning of year	3,486,016	3,589,505
Issued for cash	1,096,933	217,395
Issued to the McElvaine Value Fund Ltd. for securities	2,170,002	-
Reinvestment of distributions	-	64,694
Redeemed	(1,772,104)	(385,578)
Balance, end of year	4,980,847	3,486,016

On October 27, 2008 the British Columbia Securities Commission granted a decision document (the "Decision") to the Manager permitting a transfer of all or a portion of the investment portfolio of the McElvaine Value Fund Ltd. (the "Fund") to the Trust in exchange for units of the Trust. In accordance with the Decision, the Fund transferred securities, with a fair value at the date of transfer of $32,759,686, to the Trust in exchange for 2,170,002 Class B units of the Trust.

3. Unitholders' equity (continued):

	2008	2007
Series F:		
Balance, beginning of year	-	-
Issued for cash	26,846	-
Redeemed	(5,723)	-
Balance, end of year	21,123	-

4. Forward foreign currency contacts:

At December 31, 2008, the Trust had the following outstanding contracts to sell US dollars and receive Canadian dollars:

Contract value at inception	Contract value at inception	Contract value at December 31	Settlement date	
USD 6,000,000	CAD 7,531,160	CAD (7,409,694)	January 21, 2009	$ 121,466
USD 8,000,000	CAD 9,765,983	CAD (9,878,373)	February 18, 2009	(112,390)
	CAD 17,297,143	CAD (17,288,067)		
Net unrealized gain				$ 9,076

The credit rating of the counterparty to each of the above forward foreign currency contacts is the Royal Bank of Canada, which is rated A-1+ by Standard & Poor's.

5. Performance incentive fee:

Effective January 1, 2008, the Trust will pay the Investment Counsel an incentive fee for its services as portfolio advisor at a rate of 20% (the "Incentive Fee Rate") of:

For Series A, payable quarterly on any increase in the Series A NAV during a calendar quarter (adjusted for contributions, redemptions and distributions on Series A units), but no fee is payable unless the Series A NAV at the end of the calendar quarter is greater than the highest quarter-end Series A NAV previously achieved by the Trust.

For Series B and F, payable annually on any increase in the respective series NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below) in excess of a 6% return (the "Hurdle Rate"). If in any fiscal year the increase in the respective series NAV is less than the Hurdle Rate (a shortfall), it will be carried forward to the next fiscal year and, after adjustment for redemptions, deducted in the fee calculation from any increase in the NAV of the respective series of the Trust for that year.

5. Performance incentive fee (continued):

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the net asset value per unit at the end of each month, but is paid to the Investment Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

Prior to January 1, 2008, the incentive fee was calculated on the same basis as the current fee for Series B and F above, except the Incentive Fee Rate was 25%, and the Hurdle Rate was the twelve month simple average of the yield indicated on the last 91 T-bill auction by the Bank of Canada each month.

6. Management fee:

Effective January 1, 2008, the Trust pays to the Manager for management and administration services rendered a monthly fee based on the month-end NAV of the respective series of units of the Trust, determined prior to the calculation of any performance incentive fee (note 5) payable to the Manager, at the following rates:

Series A 1/12 of 1.2% per annum

Series B 1/12 of 1.0% per annum

Series F 1/12 of 1.0% per annum

Prior to January 1, 2008, the Trust paid the Manager a monthly fee of 1/12 of 0.4% of the NAV of the Trust's units now designated as Series B units.

7. Financial instruments:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The schedule of investment portfolio groups securities by asset type, geographic region and/or market segment. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and by diversifying the investment portfolio within the constraints of the Trust's investment objective. The fundamental investment objective of this Trust is to provide long-term capital appreciation by investing primarily in equity securities that are trading below their intrinsic value, as determined by Investment Counsel.

7. Financial instruments (continued):

(a) Currency Risk:

Currency risk is the risk that the value of the investments denominated in currencies other than the functional currency of the Trust will fluctuate due to changes in foreign exchange rates. The table below summarizes the Trust's exposure to currency risk as at December 31, 2008. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and underlying principal (notional) amount of forward currency contracts, if any).

	Investments	Cash	Net other liabilities	Derivatives (note 4)	Total
Canadian Dollar	$ 52,351,226	$ 4,507,301	$ (2,924,500)	$ 17,297,143	$ 71,231,170
US Dollar	13,547,323	513,339	-	(17,288,067)	(3,227,405)
	$ 65,898,549	$ 5,020,640	$ (2,924,500)	$ 9,076	$ 68,003,765

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 5% in relation to all other foreign currencies, with all other factors remaining constant, the net asset value of the Trust would have increase or decreased, respectively, by approximately $161,000. In practice, actual results may differ from the sensitivity analysis and the difference could be material.

(b) Interest rate risk:

Interest rate risk is the risk that the market value of the Trust's interest bearing investments, such as bonds, money market instruments and debentures, will fluctuate due to changes in market interest rates. Net other liabilities are short-term in nature and/or non interest bearing. As at December 31, 2008, the Trust held only equity securities and forward foreign currency contracts and therefore did not have significant exposure to interest rate risk.

(c) Liquidity risk:

The Trust's exposure to liquidity risk is concentrated in the monthly cash redemptions of units. The Trust primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Trust requires 5 days notice of redemptions, which allows it to manage sufficient cash and cash equivalent positions to maintain liquidity. The Trust may, from time to time, enter into over-the counter derivative contracts or invest in unlisted securities not traded in an organized market, which may represent liquidity risks. As at December 31, 2008, the Trust did not have significant exposure to liquidity risk.

7. Financial instruments (continued):

(d) Credit risk:

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the counter derivative instruments is represented by the Trust's unrealized gain in respect of the contractual obligations with the counterparty as at the reporting date. The credit exposure of monetary assets and debt instruments is represented by their carrying amounts. As at December 31, 2008, the Trust's cash and deposits were with a major Canadian chartered bank, and it otherwise did not have significant exposure to credit risk.

(e) Other market risk:

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. Other assets and liabilities of the Trust are monetary items that are short term in nature and are not subject to other market risk.

For additional information on other market risks, refer to the Trust's Confidential Offering Memorandum.

8. Rainmaker Income Fund:

On May 31, 2002, shares held by the Trust in Rainmaker Entertainment Group were exchanged for units in Rainmaker Income Fund. For tax purposes, this transaction resulted in a capital gain of $1,284,893 to the Trust during the year ended December 31, 2002. For accounting purposes, the gain was not recognized as the exchange did not represent the culmination of the earnings process. Accordingly, the cost of the units acquired was recorded at the cost of the shares given up in the exchange. A realized gain or loss on investment will be recorded for accounting purposes when the investment is sold in the normal course, which amount will be adjusted for tax purposes by the previously reported capital gain.

9. Income taxes:

The Trust qualifies as a mutual unit trust under the Income Tax Act (Canada) and is not subject to income tax on the portion of its income, including net realized capital gains, paid or payable to unitholders. All or substantially all of the income for income tax purposes of the Trust is distributed to unitholders and, accordingly, no provision for income taxes has been made in these financial statements.

The payment or reinvestment of distributions reduces the net assets per unit (and the net asset value per unit) because distributions paid in cash reduce the net assets of the Trust while reinvestment results in an increase in the number of units outstanding.

10. Reconciliation of net assets and net asset value (note 2(b)):

In accordance with S3855, the calculation of the net assets of the Trust for financial reporting purposes ("net assets") requires investments to be valued using the closing bid price. Consistent with the investment funds industry and in accordance with Rules and Policies implemented by the CSA, the Trust determines net asset value ("NAV") for purposes of unit sales and redemptions by valuing investments either based upon last sale price or the midpoint between closing bid and asked quotations.

	NAV	S3855 adjustment	Net Assets
By series at December 31, 2008:			
Series A	$ 978,520	$ (24,086)	$ 954,434
Series B	68,426,706	(1,497,315)	66,929,391
Series F	122,514	(2,574)	119,940
	$ 69,527,740	$ (1,523,975)	$ 68,003,765
Per unit at December 31, 2008:			
Series A	$ 5.58	$ (0.14)	$ 5.44
Series B	13.74	(0.30)	13.44
Series F	5.80	(0.12)	5.68

11. Future changes in accounting standards:

At December 31, 2008 the Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants (CICA) for changeover to International Financial Reporting Standards (IFRS). The key elements of the plan include disclosures of the quantitative impact, if any, in the 2009 financial statements and the preparation of the 2011 financial statements, including comparative figures from the preceding year, in accordance with IFRS. The Manager currently believes that there will be no impact to net asset value per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions is expected to be mainly in the area of additional note disclosures in the financial statements of the Trust.