

Financial Statements of

THE MCELVAINE INVESTMENT TRUST

Years ended December 31, 2003 and 2002



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AUDITORS' REPORT

To the Unitholders of
The McElvaine Investment Trust

We have audited the statements of net assets of The McElvaine Investment Trust as at December 31, 2003 and 2002, the schedule of investments as at December 31, 2003, the statements of net investment income (loss), net gain (loss) on investments and changes in net assets for the years ended December 31, 2003 and 2002 and the statements of financial highlights for the five years ended December 31, 2003, 2002, 2001, 2000 and 1999. 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 audits.

We conducted our audits 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 management, 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, 2003 and 2002 and the results of its operations and the changes in its net assets for the years then ended and its financial highlights for the five years ended December 31, 2003, 2002, 2001, 2000 and 1999 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada

January 16, 2004



THE McELVAINE INVESTMENT TRUST

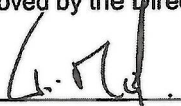
Statements of Net Assets

December 31, 2003 and 2002

	2003	2002
Assets		
Investment portfolio, at market value	\$ 45,226,864	\$ 26,538,985
Cash and deposits (note 3)	9,393,723	2,786,505
Subscriptions receivable	403,536	-
Dividends and interest receivable	179,200	69,099
	<u>55,203,323</u>	<u>29,394,589</u>
Liabilities		
Accounts payable and accrued liabilities	2,634,764	38,902
Redemptions payable	740,056	1,943
Income and other taxes payable	199,368	23,583
	<u>3,574,188</u>	<u>64,428</u>
Net assets represented by unitholders' equity	\$ 51,629,135	\$ 29,330,161
Units outstanding (note 4(a))	2,706,597	1,970,978
Net asset value per unit	\$ 19.08	\$ 14.88

See accompanying notes to financial statements.

Approved by the Director of the Manager:



McElvaine Investment Management Ltd.
Tim McElvaine, Director

THE McELVAIN INVESTMENT TRUST

Schedule of Investments

December 31, 2003

	Number of shares	Cost	Market value
Investment portfolio:			
Canada - Equities (60.9% of net assets)			
Arbor Memorial Services	100,000	\$ 905,000	\$ 1,485,000
Caldwell Partners International	767,400	921,845	1,304,580
Cinar Corp. - Class B (note 7)	1,388,750	5,727,018	6,478,584
Glacier Ventures Int. Corp.	1,789,710	1,662,759	2,791,948
Glendale International Corporation	200,000	1,320,000	1,400,000
Humpty Dumpty Snack Foods Inc.	655,700	1,313,405	1,757,276
Indigo Books	497,096	2,138,337	2,584,899
Newfoundland Capital Corp.	400,000	3,424,000	4,710,000
Rainmaker Income Fund (note 6)	580,000	623,308	2,262,000
Sun-Rype Products Ltd.	541,200	2,648,944	4,335,012
Torstar Corp. - Class B	80,000	1,462,780	2,320,800
Total Canadian securities		\$ 22,147,396	\$ 31,430,099
United States - Equities (8.4%)			
Alderwoods Group	100,000	\$ 1,232,475	\$ 1,217,306
Mattel Inc. (note 6)	125,000	2,776,381	3,112,724
Total US securities		\$ 4,008,856	\$ 4,330,030
Japan - Equities (10.5%)			
Asahi Breweries Ltd.	50,000	\$ 442,414	\$ 589,034
TV Asahi Corp.	689	1,126,104	1,354,199
Mitsubishi Securities	75,000	464,209	1,055,377
Nikko Cordial Corp.	180,000	924,026	1,295,754
Nippon TV Network	6,000	938,231	1,152,505
Total Japanese securities		\$ 3,894,984	\$ 5,446,869
Great Britain - Equities (2.6%)			
HHG PLC	1,500,000	\$ 1,339,622	\$ 1,353,290
Total Great Britain securities		\$ 1,339,622	\$ 1,353,290
Miscellaneous equities (4.2%)		\$ 2,067,781	\$ 2,163,687
Total securities		\$ 33,458,639	\$ 44,723,975
Derivative instruments (1.0%) (see below)			502,889
Total investments at market value, December 31, 2003 (87.6%)			\$ 45,226,864
Total investments at market value, December 31, 2002 (90.5%)			\$ 26,538,985

THE McELVAINE INVESTMENT TRUST

Schedule of Investments (continued)

December 31, 2003

Derivative Instruments:

Amounts bought (sold) in foreign currency	Amounts bought (sold) in Canadian dollars	Maturity date	Current market value	Unrealized gain (loss)
JPY (600,000,000)	\$ 7,125,045	January 15, 2004	\$ 7,243,328	\$ (118,283)
US\$ (7,800,000)	10,707,814	January 15, 2004	10,086,642	621,172
Total derivative instruments, December 31, 2003, unrealized gain				\$ 502,889
Total derivative instruments, December 31, 2002, unrealized loss				\$ (36,166)

The credit rating of the counterparty to each of the above contracts, Royal Bank of Canada, is AA (low) - Dominion Bond Rating Service Ltd.

See accompanying notes to financial statements.

THE McELVAIN INVESTMENT TRUST

Statements of Net Investment Income (Loss)

Years ended December 31, 2003 and 2002

	2003	2002
Investment income:		
Dividends	\$ 218,525	\$ 171,728
Interest	434,112	203,902
Withholding tax	(12,498)	(5,420)
	640,139	370,210
Expenses:		
Performance incentive fee (note 9)	2,583,484	-
Management fee (note 8)	161,976	107,841
Professional fees	32,000	46,532
Trustee, custodial and legal fees	63,835	31,861
Bank charges and interest	214	16,160
	2,841,509	202,394
Investment income (loss) before taxes	(2,201,370)	167,816
Income and other taxes (note 11)	201,996	19,342
Net investment income (loss)	\$ (2,403,366)	\$ 148,474
Net investment income (loss) per unit	\$ (1.02)	\$ 0.10

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statements of Net Gain (Loss) on Investments

Years ended December 31, 2003 and 2002

	2003	2002
Net realized gains (losses):		
Proceeds from sale of investments	\$ 10,644,656	\$ 11,012,957
Cost of investments sold (note 5)	9,178,407	9,098,816
	1,466,249	1,914,141
Forward foreign currency contracts	1,784,747	(323,414)
Foreign exchange	(13,982)	(37,420)
	3,237,014	1,553,307
Change in net unrealized gains and losses:		
Investments	8,540,220	(1,642,847)
Forward foreign currency contracts	539,055	51,245
	9,079,275	(1,591,602)
Net gain (loss) on investments	\$ 12,316,289	\$ (38,295)
Net gain on investments per unit (note 2(g))	\$ 5.22	\$ 0.69

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statements of Changes in Net Assets

Years ended December 31, 2003 and 2002

	2003	2002
Net assets, beginning of year	\$ 29,330,161	\$ 17,428,204
Increase in net assets from operations:		
Net investment income (loss)	(2,403,366)	148,474
Net gain (loss) on investments	12,316,289	(38,295)
	9,912,923	110,179
Distributions paid from:		
Net investment income	-	(88,072)
Realized gains	-	(2,838,200)
	-	(2,926,272)
Unit trust transactions:		
Issue of units for cash	13,413,190	12,418,136
Reinvestment of distributions	-	2,925,147
Redemption of units	(1,027,139)	(625,233)
	12,386,051	14,718,050
Increase in net assets	22,298,974	11,901,957
Net assets, end of year	\$ 51,629,135	\$ 29,330,161

See accompanying notes to financial statements.

THE McELVAIN INVESTMENT TRUST

Statements of Financial Highlights

Years ended December 31, 2003, 2002, 2001, 2000 and 1999

	2003	2002	2001	2000	1999
Data per unit:					
Net asset value, beginning of year	\$ 14.88	\$ 15.76	\$ 12.31	\$ 10.90	\$ 11.38
Income from operations:					
Net investment income (loss)	(1.02)	0.10	(0.67)	(0.33)	(0.49)
Net gain on investments	5.22	0.69	4.12	2.42	3.84
Total income from operations	4.20	0.79	3.45	2.09	3.35
Distributions to investors:					
From net investment income	-	(0.05)	-	-	-
From net realized gains on investments	-	(1.62)	-	(0.38)	(3.37)
Return of capital	-	-	-	(0.30)	(0.46)
Total distributions	-	(1.67)	-	(0.68)	(3.83)
Net asset value, end of year	\$ 19.08	\$ 14.88	\$ 15.76	\$ 12.31	\$ 10.90

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2003 and 2002

1. Organization:

The McElvaine Investment Trust (the "Trust") is an unincorporated unit trust, governed by the laws of British Columbia and formed by Declaration of Trust dated September 27, 1996 and amended May 15, 2002, as a Trust Agreement between McElvaine Investment Management Ltd. and the Royal Trust Company (the "Trust Agreement"). The Trust is managed by McElvaine Investment Management Ltd. (the "Manager"), which also provides investment counselling services. The Royal Trust Company is the Trustee of the Trust.

2. Significant accounting policies:

(a) General:

The financial statements of the Trust are prepared in accordance with generally accepted accounting principles followed by the investment fund industry in Canada. The significant accounting policies are described below.

(b) Investments:

Investments are stated at year end market values, which are generally determined at either the last sale price or the midpoint between the closing bid and asked quotations reported either by appropriate securities exchanges or in the over-the-counter market. In respect of any securities for which the last sale price or closing bid price is unavailable, such securities will be 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.

(c) Foreign exchange:

Purchases and sales of foreign securities and the related income and gains and losses are translated into Canadian dollars at the rates of exchange prevailing at the date of the respective transaction. Investments, other assets, and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the close of each business 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 statements of net gain (loss) on investments.

(d) Forward foreign currency contracts:

The Trust may enter into forward foreign currency contracts, the purpose of which is to provide an economic hedge against exposure to foreign currency fluctuations. The carrying value of these forward contracts 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. When the contracts are closed or expired, gains and losses are recognized and included in realized gains and losses.

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.

THE McELVAIN INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2003 and 2002

2. Significant accounting policies (continued):

(e) Income taxes:

The Trust qualifies as a unit trust for income tax purposes. Although the Trust allocates to its unitholders net investment income and net realized gains which would otherwise attract tax, federal income taxes may be incurred by the Trust in respect of alternative minimum tax.

(f) 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.

(g) Per unit values:

Per unit amounts are calculated as follows:

Net asset value	On the number of units outstanding at the year end.
Net investment income (loss)	On the monthly weighted average number of units outstanding during the year
Net gain (loss) on investments	On the number of units outstanding at the date of record.
Distributions	

Net gain (loss) on investments per unit includes an amount necessary to reconcile the change in net asset value per unit at the end of the year with the net asset value per unit at the beginning of the year, as net investment income per unit is calculated based on the average number of units outstanding during the year whereas the distribution per unit is calculated based on the actual number of units outstanding at the date of record. The reconciling amount is also affected by fluctuations in net asset value in relation to unit transactions during the year.

(h) Use of estimates:

The preparation of financial statements requires management 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 period. Actual results could differ from those estimates.

3. Cash and deposits:

	2003	2002
Cash and deposits in bank:		
Canadian	\$ 8,125,639	\$ 2,776,311
Foreign	1,268,084	10,194
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	\$ 9,393,723	\$ 2,786,505

THE McELVAIN INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2003 and 2002

4. Unitholders' equity:

(a) Authorized and issued units:

The Trust has an unlimited number of units authorized pursuant to the Trust Agreement. 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.

Issued units are summarized as follows:

	2003	2002
Balance, beginning of year	1,970,978	1,105,940
Issued for cash	790,400	705,329
Issued on reinvestment of distribution	-	196,569
Redemptions	(54,781)	(36,860)
Balance, end of year	2,706,597	1,970,978

(b) Unrealized gains and losses:

Included in unitholders' equity of the Trust are unrealized gains (losses) as follows:

	2003	2002
Securities in investment portfolio, at market value	\$ 44,723,975	\$ 26,575,151
Securities in investment portfolio, at cost	33,458,639	23,850,035
	11,265,336	2,725,116
Forward foreign currency contracts	502,889	(36,166)
	\$ 11,768,225	\$ 2,688,950

5. Cost of investments sold:

The continuity of the cost of investments purchased and sold by the Trust is as follows:

	2003	2002
Investments at cost, beginning of year	\$ 23,850,035	\$ 14,192,322
Cost of investments purchased	18,787,011	18,756,529
	42,637,046	32,948,851
Investments at cost, end of year	33,458,639	23,850,035
Cost of investments sold	\$ 9,178,407	\$ 9,098,816

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2003 and 2002

6. Mattel Inc. / Rainmaker Income Fund:

On January 17, 2003, shares held by the Trust in Softkey Software Products Inc. were exchanged by the issuer for shares of Mattel Inc. ("Mattel"). For tax purposes, this transaction resulted in a capital gain of \$448,021 to the Trust. For accounting purposes, the gain was not recognized as the exchange did not represent the culmination of the earnings process. The cost of the shares acquired has been recorded at the cost of the shares given up in the exchange. No shares of Mattel have been disposed of since January 17, 2003. A gain or loss on investment will be recorded when the investment is sold in the normal course, which amount will be adjusted for tax purposes by the previously reported capital gain.

On May 31, 2002, shares held by the Trust in Rainmaker Entertainment Group were exchanged for a proportionate number of units in Rainmaker Income Fund ("Rainmaker"). 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. The cost of the units acquired was recorded at the cost of the shares given up in the exchange. No units of Rainmaker have been acquired or disposed of since May 31, 2002. A gain or loss on investment will be recorded when the investment is sold in the normal course, which amount will be adjusted for tax purposes by the previously reported capital gain.

7. Liquidity of investments:

During the year ended December 31, 2002, the Trust purchased Class B securities of Cinar Corp. ("Cinar") As at December 31, 2003, this investment represented 12.5% (2002 - 15.0%) of net assets. Due to a cease-trade order imposed by the British Columbia Securities Commission, the Trust cannot sell this position, and will not be able to sell the position until the cease-trade order has been lifted. The Manager has agreed to waive the Performance Incentive Fee, as defined in note 9, with respect to any increase in the value of Cinar Corp. Class B shares held by the Trust relative to the cost of those shares to the Trust.

An offer has been made by a group of third parties to purchase Cinar for US \$3.60 per share in cash plus a prorata distribution of the potential net proceeds, if any, from the settlement of certain outstanding litigation. Cinar's Board of Directors has approved the arrangement and has recommended that Cinar's shareholders vote for the arrangement resolution at a special general meeting to be held February 17, 2004. The arrangement requires the approval of 2/3 of the holders of Variable Multiple Voting Shares and 2/3 of the holders of Limited Voting Shares.

The Trust may hold large positions in certain securities and, as a result, may not be able to liquidate such positions on a timely basis. Accordingly, the proceeds received on any sale of such securities may differ significantly from stated market value.

8. Management fee:

The Trust has agreed to pay the Manager, as compensation for management and administration services rendered, a monthly fee of 1/12 of 0.4% of the net asset value of the Trust, determined prior to the calculation of any fees payable to the Manager.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2003 and 2002

9. Performance incentive fee:

The Trust will pay to the Manager an annual incentive fee (the "Performance Incentive Fee") equal to twenty-five percent (25%) of the amount by which:

- (a) The increase in net asset value of the Trust for each fiscal year as calculated at the close of business on each fiscal year-end, adjusted for contributions and redemptions made by the investors, for the waiver outlined in note 7, and any Shortfall, as defined below, from the previous fiscal year (the "Incentive Return"), exceeds;
- (b) The return that would be generated annually by the average interest rate (the "Average Rate") applied to the net asset value of the Trust as calculated at the close of business of the previous fiscal year-end of the Trust, adjusted for contributions and redemptions made by the investors (the "Base Return"). The Average Rate is the twelve month simple average of the Hurdle Rate. The "Hurdle Rate" is the average yield indicated by the Bank of Canada on the last 91 day T-bill auction by the Bank of Canada in each month.

If in any fiscal year the Incentive Return is less than the Base Return, no Performance Incentive Fee shall be paid for that fiscal year and the difference between the Base Return and the Incentive Return (the "Shortfall") is carried forward to the succeeding fiscal year and, after adjustment for redemptions, as set out below, deducted in the calculation of the Incentive Return for that year. The Shortfall deducted in any year is reduced by an amount such that the proportion that the reduction bears to the Shortfall is equal to the proportion that the number of units which were outstanding at the end of the previous fiscal year and which are redeemed during the year bears to the total number of units outstanding at the end of the previous fiscal year.

The Performance Incentive Fee of any fiscal year is further reduced by the Trust's pro-rata share of fees paid in respect of any securities held by the Trust which are securities of other partnerships, funds, or portfolios that are already subject to fees paid or payable to the Manager.

The Performance Incentive Fee, if any, is determined 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 Manager annually within one month of the fiscal year-end of the Trust in cash or units, at the discretion of the Manager.

10. Related party transactions:

Certain parties related to the Manager own units of the Trust.

11. Income and other taxes:

	2003	2002
Goods and Services Tax	\$ 201,996	\$ 10,629
Federal income taxes	-	8,713
	\$ 201,996	\$ 19,342

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2003 and 2002

12. Distributions:

Distributions by the Trust are generally declared in December in respect of net investment income and net realized gains, net of income tax loss carry forwards applied for the current fiscal year.

The payment or reinvestment of distributions reduces 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.

13. Financial Instruments:

(a) Fair values:

Generally accepted accounting principles in Canada require disclosure of the fair value of financial instruments. The Partnership's investments in securities and forward foreign currency contracts are carried at market values in accordance with Canadian investment fund industry standards. The General Partner considers that fair values of financial instruments other than investments in securities and forward foreign currency contracts approximate their carrying values given their short-term nature.

(b) Foreign currency risk:

The Partnership is exposed to foreign currency risk to the extent that assets denominated in other than Canadian dollars differ from amounts hedged through forward foreign currency contracts.

14. Comparative figures:

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

15. Portfolio transactions:

A statement of portfolio transactions is not included as part of these financial statements, but will be provided to any unitholder, without charge, on request. Requests may be made in writing to McElvaine Investment Management Ltd., Suite 200 - 1100 Melville Street, Vancouver, BC, V6E 4A6.

