

Financial Statements of

THE MCELVAINE INVESTMENT TRUST

Years ended December 31, 2001 and 2000



KPMG LLP
Chartered Accountants
Box 10426, 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Telefax (604) 691-3031
www.kpmg.ca

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, 2001 and 2000 and the schedule of investments as at December 31, 2001 and the statements of net investment loss, net gain on investments and changes in net assets for the years ended December 31, 2001 and 2000 and the statements of financial highlights for the five year period ended December 31, 2001. 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, 2001 and 2000 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 year period ended December 31, 2001 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada

January 25, 2002



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THE McELVAINE INVESTMENT TRUST

Statements of Net Assets

December 31, 2001 and 2000

	2001	2000
Assets		
Investment portfolio, at market value	\$ 18,472,874	\$ 10,185,593
Cash and deposits (note 3)	921,980	492,122
Accounts receivable and other assets	95,422	43,744
	<u>19,490,276</u>	<u>10,721,459</u>
Liabilities		
Contributions received, in advance	950,000	6,000
Accounts payable and accrued liabilities	995,428	463,058
Redemptions payable	1,579	1,015
Income and other taxes payable	115,065	35,999
	<u>2,062,072</u>	<u>506,072</u>
Net assets represented by Unitholders' equity	\$ 17,428,204	\$ 10,215,387
Units outstanding (note 4(a))	1,105,940	829,735
Net asset value per unit	\$ 15.76	\$ 12.31

See accompanying notes to financial statements.

Approved by the Director of the General Partner:



McElvaine Services Ltd.
Tim McElvaine, Director

THE McELVAINE INVESTMENT TRUST

Schedule of Investments

December 31, 2001

	Number of shares	Average cost	Market value
Investment portfolio:			
Canada – Equities (87.8% of net assets)			
Arbor Memorial Services	100,000	\$ 905,000	\$ 1,400,000
BNN Investments Ltd.	62,475	286,944	616,004
Caldwell Partners International	374,700	407,182	449,640
Concord Pacific Group Inc.	420,700	374,017	551,117
Fairfax Financial Holdings Ltd.	4,500	758,708	738,000
Glacier Ventures Int. Corp.	789,710	552,759	631,768
Humpty Dumpty Snack Foods Inc.	643,300	1,285,257	1,608,250
Rainmaker Entertainment Grp. Ltd.	580,000	687,107	1,160,000
Softkey Software Products Inc.	25,000	454,500	821,750
Sun-Rype Products Ltd.	450,000	1,986,928	2,902,500
Torstar Corp. - Class B	90,000	1,618,025	1,998,000
West Fraser Timber Co. Ltd.	22,500	577,800	865,125
Westshore Terminals Income Fund	150,000	556,898	847,500
Miscellaneous equities	6,043,985	1,189,017	726,769
Total Canadian securities		\$ 11,640,142	\$ 15,316,423
United States			
Bonds (6.4%)			
Loewen Group - 8.25% 2003/04/15	U.S.\$ 1,000,000	\$ 750,172	\$ 1,114,827
Equities (11.4%)			
Liquid Audio Inc.	200,000	744,225	748,527
Mattel Inc.	45,000	916,727	1,232,680
Total U.S. securities		\$ 2,411,124	\$ 3,096,034
Japan - Equities (0.8%)			
Fuji Television Inc.	23	\$ 141,056	\$ 147,828
Total Japanese securities		\$ 141,056	\$ 147,828
Total securities		\$ 14,192,322	\$ 18,560,285
Derivative instruments (- 0.5%) (see below)			(87,411)
Total investments at market value, December 31, 2001 (105.9%)			\$ 18,472,874
Total investments at market value, December 31, 2000 (99.7%)			\$ 10,185,593

THE McELVAINE INVESTMENT TRUST

Schedule of Investments (continued)

December 31, 2001

Derivative Instruments:

Amounts bought (sold) in U.S. dollars	Amounts bought (sold) in Canadian dollars	Maturity date	Current market value	Unrealized gain (loss)
\$ (2,560,925)	\$ 3,991,000	January 23, 2002	\$ 4,078,411	\$ (87,411)
Total derivative instruments, December 31, 2001, unrealized loss				\$ (87,411)
Total derivative instruments, December 31, 2000, unrealized gain				\$ 18,377

The credit rating of the counterparty for the above contract, Bank of Montreal, is AA (low) - Dominion Bond Rating Service Ltd.

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statements of Net Investment Loss

Years ended December 31, 2001 and 2000

	2001	2000
Investment income:		
Dividends	\$ 434,357	\$ 124,439
Interest	137,606	113,530
Withholding tax	(528)	(3,283)
	<u>571,435</u>	<u>234,686</u>
Expenses:		
Audit fees	32,591	11,259
Bank charges and interest	1,859	1,580
Investment counsel fees (note 7)	957,753	386,221
Management fees (note 6)	55,098	35,080
Trustee, custodial and legal fees	11,516	5,920
	<u>1,058,817</u>	<u>440,060</u>
Investment loss before taxes	(487,382)	(205,374)
Income and other taxes (note 8)	152,022	40,109
Net investment loss	<u>\$ (639,404)</u>	<u>\$ (245,483)</u>
Net investment loss per unit	<u>\$ (0.67)</u>	<u>\$ (0.33)</u>

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statements of Net Gain on Investments

Years ended December 31, 2001 and 2000

	2001	2000
Realized gains and losses:		
Proceeds from sale of investments	\$ 5,021,000	\$ 3,283,343
Cost of investments sold (note 5)	3,972,721	2,708,661
	1,048,279	574,682
Currency hedging	(96,022)	(37,369)
Foreign exchange	(2,949)	(3,850)
	949,308	533,463
Change in net unrealized gains and losses:		
Investments	3,069,358	1,300,956
Currency hedging	(105,788)	(8,975)
	2,963,570	1,291,981
Net gain on investments	\$ 3,912,878	\$ 1,825,444
Net gain on investments per unit	\$ 4.12	\$ 2.42

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statements of Changes in Net Assets

Years ended December 31, 2001 and 2000

	2001	2000
Net assets, beginning of year	\$ 10,215,387	\$ 6,558,105
Increase in net assets from operations:		
Net investment loss	(639,404)	(245,483)
Net gain on investments	3,912,878	1,825,444
	3,273,474	1,579,961
Distributions paid from:		
Realized gains	-	(297,695)
Return of capital	-	(235,769)
	-	(533,464)
Unit trust transactions:		
Issue of units for cash	4,849,638	2,426,646
Reinvestment of distribution	-	533,464
Redemption of units	(910,295)	(349,325)
	3,939,343	2,610,785
Increase in net assets	7,212,817	3,657,282
Net assets, end of year	\$ 17,428,204	\$ 10,215,387

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statements of Financial Highlights

Years ended December 31, 2001, 2000, 1999, 1998 and 1997

	2001	2000	1999	1998	1997
Data per unit:					
Net asset value, beginning of year	\$ 12.31	\$ 10.90	\$ 11.38	\$ 11.38	\$ 10.29
Income from operations:					
Net investment income (loss)	(0.67)	(0.33)	(0.49)	0.34	(0.23)
Net gain on investments	4.12	2.42	3.84	1.55	1.55
Total income from operations	3.45	2.09	3.35	1.89	1.32
Distribution to investors:					
From net investment income	-	-	-	(0.32)	-
From net realized gains on investments	-	(0.38)	(3.37)	(1.57)	(0.23)
Return of capital	-	(0.30)	(0.46)	-	-
Total distributions	-	(0.68)	(3.83)	(1.89)	(0.23)
Net asset value, end of year	\$ 15.76	\$ 12.31	\$ 10.90	\$ 11.38	\$ 11.38

See accompanying notes to financial statements.

THE McELVAINI INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2001 and 2000

1. Organization:

The McElvaine Investment Trust (the "Trust") is an unincorporated unit trust, governed by the laws of British Columbia, formed under the terms of a Master Declaration of Trust dated September 27, 1996. The Trust is managed by McElvaine Investment Management Ltd. (the "Manager"), which also provides investment counselling services pursuant to the Master Investment Counsel Agreement (the "Investment Counsel"). Effective January 31, 1999, the Master Investment Counsel and Master Management Agreements were assigned from Cundill Funds Inc. to McElvaine Investment Management Ltd.

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 Manager on the basis of the latest reported information available.

Average cost is used to compute realized and unrealized 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 exchange transactions, including the purchase and sale of forward contracts, are included in the statement of net gain on investments.

(d) Forward foreign currency contracts:

The Trust may enter into forward foreign currency contracts, the purpose of which is to 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 position 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. Losses may also occur if the counterparty does not perform under the contract.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2001 and 2000

2. Significant accounting policies (continued):

(e) Put options:

The Trust may buy put options, which are contracts entitling the holder of the option to sell the underlying security, at a specified price, on or before the contract's stated expiration date. The risk in buying an option is that the Trust pays a premium whether or not the option is exercised. The premium paid for the purchase of the put option is included in the statement of investments and is marked-to-market to reflect the current market value of the option. When the contracts are disposed of, exercised or expire, gains or losses are recognized and included in realized gains and losses. No put options were outstanding at December 31, 2001.

(f) Income taxes:

The Trust qualifies as a unit trust for income tax purposes and allocates to its unitholders all net investment income and net realized gains, which would otherwise attract tax in the Trust.

(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.

(h) 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) Net gain on investments	On the weighted average number of units outstanding during the year.
Distributions	On the number of units outstanding at the date of record.

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 time of each distribution.

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2001 and 2000

3. Cash and deposits:

	2001	2000
Cash in bank:		
Canadian	\$ 937,670	\$ 485,182
Foreign	(15,690)	6,940
	\$ 921,980	\$ 492,122

4. Unitholders' equity:

(a) Authorized and issued capital:

The Trust has an unlimited number of units authorized pursuant to the Master Declaration of Trust. Redemptions may only occur on the first day of every month with appropriate notice and may be restricted in certain circumstances as set forth in the Offering Memorandum.

Issued units are summarized as follows:

	2001	2000
Balance, beginning of year	829,735	601,478
Issued for cash	343,793	216,782
Issued on reinvestment of distribution	-	43,330
Redemptions	(67,588)	(31,855)
Balance, end of year	1,105,940	829,735

(b) Unrealized gains and losses:

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

	2001	2000
Securities held in investment portfolio, at market value	\$ 18,560,285	\$ 10,167,216
Securities held in portfolio, at cost	14,192,322	8,868,624
Currency hedging	4,367,963 (87,411)	1,298,592 18,377
	\$ 4,280,552	\$ 1,316,969

5. Cost of investments sold:

The principal components of the cost of investments sold by the Trust are as follows:

	2001	2000
Investments at average cost, beginning of year	\$ 8,868,624	\$ 5,992,747
Cost of investments purchased	9,296,419	5,584,538
Investments at average cost, end of year	18,165,043	11,577,285
Cost of investments sold	14,192,322	8,868,624
	\$ 3,972,721	\$ 2,708,661

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2001 and 2000

6. 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 fee payable to the Investment Counsel.

7. Investment counsel fee:

Pursuant to the Master Investment Counsel Agreement, the Trust will pay to the Investment Counsel 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 and for 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, 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 Investment Counsel annually within one month of the fiscal year-end of the Trust from cash held in the Trust.

8. Income and other taxes:

	2001	2000
Goods and Services Tax	\$ 72,753	\$ 30,394
Federal income taxes	79,269	9,715
	\$ 152,022	\$ 40,109

THE McELVAINE INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2001 and 2000

9. Distributions:

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

The payment or reinvestment of distributions reduces the net asset value per unit by the amount of the distribution per unit, because distributions paid in cash reduce the net asset value of the Trust while reinvestment results in an increase in the number of units outstanding.

10. Fair values:

Canadian generally accepted accounting principles require disclosure of the fair value of financial instruments. The Trust's investments in securities and currency hedging contracts are carried at market values in accordance with Canadian investment fund industry standards. The fair values of financial instruments other than investments in securities and currency hedging contracts approximate their carrying values given their short term nature.

11. Comparative figures:

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