Financial Statements of

THE McELVAINE INVESTMENT TRUST

Years ended December 31, 2005 and 2004

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 13, 2006

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, 2005, 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, 2005 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 13, 2006

THE McELVAINE INVESTMENT TRUST

Statements of Net Assets

December 31, 2005 and 2004

	2005	2004
Assets		
Investment portfolio, at fair value	$ 77,159,780	$ 53,199,537
Cash and deposits	2,890,267	13,465,625
Subscriptions receivable	-	25,000
Dividends and interest receivable	171,772	112,023
	80,221,819	66,802,185
Liabilities		
Due to broker	105	331,708
Redemptions payable	177,204	601,252
Accounts payable and accrued liabilities	3,509,650	1,305,317
	3,686,959	2,238,277
Net assets	$ 76,534,860	$ 64,563,908
Units outstanding (note 3)	3,153,051	3,116,883
Net asset value per unit	$ 24.27	$ 20.71

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, 2005

	Number of shares	Cost	Fair value
Canada - Equities (81.5% of net assets)			
Arbor Memorial Services Inc.	100,000	$ 905,000	$ 2,130,000
BCE Inc.	50,000	1,372,250	1,393,500
The Caldwell Partners International Inc.	850,000	1,067,895	1,479,000
Canfor Corporation	100,000	1,143,980	1,343,000
Glacier Ventures International Corporation	2,697,560	4,137,632	8,578,241
Hollinger Canadian Newspapers, LP	2,428,700	95,842	910,763
Humpty Dumpty Snack Foods Inc.	1,255,700	3,053,405	3,515,960
Indigo Books & Music Inc.	935,196	4,163,612	8,790,842
Newfoundland Capital Corp. Ltd.	559,800	5,268,092	9,460,620
Rainmaker Income Fund (note 7)	1,180,000	2,573,307	3,835,000
Ravensource Fund	155,900	1,111,609	1,221,477
Saskatchewan Wheat Pool Inc.	741,074	3,941,935	4,935,552
Shermag Inc.	500,000	1,260,000	1,900,000
Sun-Rype Products Ltd.	604,200	3,331,909	7,310,820
Torstar Corp. - Class B	250,000	5,151,187	5,535,000
Total Canadian securities		$ 38,577,655	$ 62,339,775
Japan - Equities (11.8%)			
Fuji Television Network	1,000	$ 2,659,707	$ 2,939,442
Mitsubishi Securities	125,000	1,476,333	1,830,966
Nippon TV Network	6,000	938,231	1,076,608
TV Asahi Corp.	689	1,126,104	1,997,999
TV Tokyo Corp.	29,000	1,187,461	1,156,675
Total Japanese securities		$ 7,387,836	$ 9,001,690
Great Britain - Equities (1.9%)			
Henderson Group PLC	960,000	$ 450,909	$ 1,429,460
Miscellaneous securities (4.9%)		$ 4,141,344	$ 3,818,161
Total securities (100.1%)		$ 50,557,744	$ 76,589,086

Forward foreign currency contracts (0.7%):

Contract value at inception (local currency)	Contract value at inception (Canadian dollars)	Contract value at December 31, 2005 (Canadian dollars)	Settlement date	
JPY (750,000,000)	$ 7,950,811	$ 7,430,800	January 11, 2006	$ 520,011
GBP (500,000)	1,053,008	1,002,325	January 11, 2006	50,683
Total unrealized gain on forward foreign currency contracts				$ 570,694
Total investment portfolio at fair value, December 31, 2005 (100.8%)				$ 77,159,780
Other assets less liabilities (-0.8%)				(624,920)
Net assets (100%)				**$ 76,534,860**

The credit rating of the counterparty to each of the above forward foreign currency contracts is the Royal Bank of Canada, which is rated AA (low) by the Dominion Bond Rating Service Ltd.

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statements of Operations

Years ended December 31, 2005 and 2004

	2005	2004
Investment income:		
Dividends	$ 639,212	$ 411,344
Interest	531,405	370,317
Withholding tax	(7,230)	(5,928)
	1,163,387	775,733
Expenses:		
Performance incentive fee (note 4)	3,210,388	1,142,268
Management fee (note 5)	287,641	238,197
Trustee, custodial and legal fees	112,034	59,795
Audit and tax fees	25,000	31,000
Bank charges and interest	662	823
Goods and services tax	254,455	101,085
	3,890,180	1,573,168
Net investment loss	$ (2,726,793)	$ (797,435)
Net realized gains (losses):		
Proceeds from sale of securities	$ 5,442,021	$ 19,076,837
Securities at cost, beginning of year	39,152,133	33,458,639
Cost of securities purchased during the year	16,468,677	22,375,371
	55,620,810	55,834,010
Securities at cost, end of year	(50,557,744)	(39,152,133)
Cost of securities sold	5,063,066	16,681,877
Gain on sale of securities	378,955	2,394,960
Forward foreign currency contracts	1,025,890	812,815
Foreign exchange	(10,826)	13,617
	1,394,019	3,221,392
Change in net unrealized appreciation of:		
Securities	12,115,824	2,650,182
Forward foreign currency contracts	438,808	(371,003)
	12,554,632	2,279,179
Net gain from investing activities	$ 13,948,651	$ 5,500,571
Income from operations	$ 11,221,858	$ 4,703,136
Income from operations per unit	$ 3.55	$ 1.58

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statements of Changes in Net Assets

Years ended December 31, 2005 and 2004

	2005	2004
Net assets, beginning of year	$ 64,563,908	$ 51,629,135
Income from operations	11,221,858	4,703,136
Unit transactions (note 3):		
Issued for cash	4,357,916	11,276,252
Redeemed	(3,608,822)	(3,044,615)
	749,094	8,231,637
Increase in net assets	11,970,952	12,934,773
Net assets, end of year	$ 76,534,860	$ 64,563,908

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 (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.

2. Significant accounting policies:

(a) General:

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

(b) Investments:

Investments are stated at year end fair 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 a last sale price or midpoint is not considered to be representative of fair value, 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 (losses) 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 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 operations.

(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 in the statements of operations. When the contracts are closed or expire, gains and losses are included in realized gains and losses in the statements 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):

(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 that 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.
Income from operations	On the monthly weighted average number of units outstanding during the year

(h) 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 period. Actual results could differ from those estimates.

(i) Comparative figures:

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

3. Unitholders' equity:

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.

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

	2005	2004
Balance, beginning of year	3,116,883	2,706,597
Issued for cash	194,710	561,696
Redeemed	(158,542)	(151,410)
Balance, end of year	3,153,051	3,116,883

4. Performance incentive fee:

The Trust will pay to the Investment Counsel an annual incentive fee equal to 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 (the "Base 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 on the previous fiscal year-end of the Trust, adjusted for contributions and redemptions made by the investors. The Average Rate is the twelve month simple average of the Hurdle Rate. The "Hurdle Rate" is the average yield indicated 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 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.

5. 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 performance incentive fee (note 4) payable to the Manager.

6. Financial instruments:

(a) Fair values:

The Trust's investments in securities and forward foreign currency contracts are carried at fair value. The Manager considers that the fair value of the Trust's 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 Trust is exposed to foreign currency risk to the extent that assets are denominated in other than Canadian dollars and not hedged into Canadian dollars.

7. 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.

8. Income taxes:

(a) Distributions:

All of the income for income tax purposes of the Trust is generally distributed to unitholders so that the Fund is not subject to income tax. 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. No distributions were made in 2005 or 2004.

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.

(b) Loss-carry forwards:

The Trust has non-capital losses for income tax purposes of $1,513,000 available to reduce net investment income and net taxable capital gains in future years up to and including 2015.