Financial Statements of

THE McELVAINE INVESTMENT TRUST

Years ended December 31, 2006 and 2005

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"
Tim McElvaine, Director

January 16, 2007

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, 2006, 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, 2006 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, 2007

THE McELVAINE INVESTMENT TRUST

Statements of Net Assets

December 31, 2006 and 2005

	2006	2005
Assets		
Investment portfolio, at fair value	$ 97,154,572	$ 77,159,780
Cash and deposits	1,540,311	2,890,267
Subscriptions receivable	915,918	-
Distributions and interest receivable	257,587	171,772
	99,868,388	80,221,819
Liabilities		
Due to broker	-	105
Redemptions payable	73,828	177,204
Accounts payable and accrued liabilities	2,301,036	3,509,650
	2,374,864	3,686,959
Net assets	$ 97,493,524	$ 76,534,860
Units outstanding (note 3)	3,589,505	3,153,051
Net asset value per unit	$ 27.16	$ 24.27

Contingency (note 10)

See accompanying notes to financial statements.

Approved by the Manager
McElvaine Investment Management Ltd.

"Tim McElvaine"
Tim McElvaine, Director

THE McELVAINE INVESTMENT TRUST

Schedule of Investment Portfolio

December 31, 2006

	Number of shares	Cost	Fair value
Canada - Equities (85.1% of net assets)			
Arbor Memorial Services Inc.	100,000	$ 905,000	$ 2,540,000
The Caldwell Partners International Inc.	850,000	1,067,895	1,334,500
EGI Financial Holdings Inc.	306,900	2,587,423	3,038,310
Fairfax Financial Holdings Ltd.	15,000	1,822,190	3,475,050
Glacier Ventures International Corporation	3,701,597	7,090,605	11,104,791
Indigo Books & Music Inc.	895,196	4,071,423	13,517,460
Maple Leaf Foods Inc.	500,000	6,209,642	6,170,000
Newfoundland Capital Corp. Ltd.	559,800	5,268,092	10,258,335
Rainmaker Income Fund (note 7)	1,580,000	3,578,107	5,095,500
Ravensource Fund	205,228	1,506,233	1,754,699
Saskatchewan Wheat Pool Inc.	741,074	3,941,935	6,573,326
Shermag Inc.	540,000	1,346,835	1,290,600
Sun-Rype Products Ltd.	736,200	4,911,588	9,644,220
Torstar Corp. - Class B	250,000	5,151,187	4,902,500
Village Farms Income Fund	816,999	2,262,984	2,254,917
Total Canadian securities		$ 51,721,139	$ 82,954,208
United States - Bond (0.7% of net assets)			
Specialty Foods Group, Inc.	1,250,000	$ 1,389,445	$ 727,311
United States - Equities (2.9% of net assets)			
Montpelier Re Holdings Ltd.	130,200	2,264,463	2,819,664
Total United States securities		$ 3,653,908	$ 3,546,975
Japan - Equities (6.8%)			
Fuji Television Network	1,000	2,659,707	2,656,419
Nippon TV Network Corp.	6,000	938,231	1,034,832
TV Asahi Corp.	689	1,126,104	1,594,760
TV Tokyo Corporation	29,000	1,187,461	1,367,958
Total Japanese securities		$ 5,911,503	$ 6,653,969
Miscellaneous securities (4.1%)		$ 4,049,487	$ 3,999,420
Total securities (99.6%)		$ 65,336,037	$ 97,154,572
Other assets less liabilities (0.4% of net assets)			338,952
Net assets (100%)			**$ 97,493,524**

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statements of Operations

Years ended December 31, 2006 and 2005

	2006	2005
Investment income:		
Dividends	$ 1,512,064	$ 639,212
Interest	839,290	531,405
Withholding tax	(6,695)	(7,230)
	2,344,659	1,163,387
Expenses:		
Performance incentive fee (note 4)	2,106,793	3,210,388
Management fee (note 5)	353,622	287,641
Trustee, custodial and legal fees	86,048	112,034
Audit and tax fees	30,000	25,000
Bank charges and interest	170	662
Goods and services tax	156,213	254,455
	2,732,846	3,890,180
Net investment loss	$ (388,187)	$ (2,726,793)
Net realized gains:		
Proceeds from sale of securities	$ 17,975,304	$ 5,442,021
Securities at cost, beginning of year	50,557,744	39,152,133
Cost of securities purchased during the year	28,587,599	16,468,677
	79,145,343	55,620,810
Securities at cost, end of year	(65,336,037)	(50,557,744)
Cost of securities sold	13,809,306	5,063,066
Gain on sale of securities	4,165,998	378,955
Forward foreign currency contracts	551,754	1,025,890
Foreign exchange	(25,407)	(10,826)
	4,692,345	1,394,019
Change in net unrealized appreciation of:		
Securities	5,787,193	12,115,824
Forward foreign currency contracts	(570,694)	438,808
	5,216,499	12,554,632
Net gain from investing activities	$ 9,908,844	$ 13,948,651
Income from operations	**$ 9,520,657**	$ 11,221,858
Income from operations per unit	$ 2.79	$ 3.55

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statements of Changes in Net Assets

Years ended December 31, 2006 and 2005

	2006	2005
Net assets, beginning of year	$ 76,534,860	$ 64,563,908
Income from operations	9,520,657	11,221,858
Unit transactions (note 3):		
Issued for cash	14,402,407	4,357,916
Redeemed	(2,964,400)	(3,608,822)
	11,438,007	749,094
Increase in net assets	20,958,664	11,970,952
Net assets, end of year	$ 97,493,524	$ 76,534,860

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.

Investment capital is contributed to the Trust through the purchase of trust units at a value established on a monthly basis.

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.

2. Significant accounting policies (continued):

(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.

(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. 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 statements of operations.

(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.

2. Significant accounting policies (continued):

(i) Adoption of future accounting standards:

(i) Valuation of securities/pricing of unit transactions:

The Canadian Institute of Chartered Accountants (CICA) has issued Handbook Section 3855, *Financial Instruments – Recognition and Measurement* (S3855), which applies to fiscal years beginning on or after October 1, 2006. The adoption of S3855 will impact the calculation of the net asset value of an investment fund for financial reporting purposes because it will require marketable securities to be valued at bid price rather than either the last sale price or the midpoint between closing bid and asked quotations, as is the current accounting policy of the Trust,

For unit sales and redemption pricing purposes, the Trust will continue to calculate the net asset value on a basis consistent with the investment funds industry, which is itself awaiting confirmation from the Canadian Securities Authorities on whether the net asset value should either continue to be calculated in accordance with the existing principles-based approach or be changed to conform with the S3855 valuation for financial reporting purposes.

(ii) Transaction costs:

S3855 requires that transaction costs, such as brokerage commissions incurred in the purchase and sale of securities by the Trust, be charged to income from operations in the period incurred. Until December 31, 2006, the Trust's policy has been to either add commissions to the cost of the securities purchased or deduct them from the proceeds of sale, as applicable. For the fiscal year beginning January 1, 2007, the Trust will operate in a manner that facilitates financial reporting under either policy on a prospective basis (that is, without retroactive restatement of prior periods). Adoption of an amended accounting policy is not expected to have a material impact on the financial statements and will, in itself, have no impact on the quarterly pricing of the Trust's units for purchase and redemption by clients.

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:

	2006	2005
Balance, beginning of year	3,153,051	3,116,883
Issued for cash	550,265	194,710
Redeemed	(113,811)	(158,542)
Balance, end of year	3,589,505	3,153,051

As at December 31, 2006, the Manager and related parties directly or indirectly held 55,223 units (2%) of the Trust.

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 outstanding at the end of the previous fiscal year and 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 2006 or 2005.

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 $1,262,000 available to reduce net investment income and net taxable capital gains in future years up to and including 2015.

9. Ravensource Fund management agreement:

On January 1, 2007, the Manager began providing portfolio management services to the Ravensource Fund, in which the Trust owned 205,228 units (13%) with a fair value of approximately $1,755,000 as at December 31, 2006.

10. Contingency:

The Manager plans to ask the unitholders of the Trust to approve the acquisition of The McElvaine Limited Partnership during the first half of 2007.