

Financial Statements of

PROFIT BOOKING BLUE CHIP TRUST

December 31, 2004

PROFIT BOOKING BLUE CHIP TRUST

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Management's Report

The accompanying financial statements are the responsibility of the management of Crown Hill Capital Corporation (the "Manager"). The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the best estimates and judgments, where appropriate. Management is responsible for the reliability and integrity of the financial statements, notes to the financial statements and other financial information contained in this report. Estimates are necessary in the preparation of these statements because precise determination of some assets and liabilities depends on future events. Management has based these estimates on careful judgment and believes they are properly reflected in the accompanying financial statements.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors of the Manager is responsible for ensuring that the Manager fulfills its responsibility for financial reporting and internal controls. The Board meets with the Manager to ensure the Manager's responsibilities are fulfilled, to review financial statements and to recommend approval of the financial statements.

PricewaterhouseCoopers LLP are the external auditors of the Trust. They 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. The auditors have full and unrestricted access to the Board to discuss their audit and related findings as to the integrity of the financial reporting process.

On behalf of Crown Hill Capital Corporation, the Manager of the Trust,

Wayne L. Pushka
President & Chief Executive Officer
Crown Hill Capital Corporation
March 8, 2005

Adrian Isaacs
Chief Financial Officer.

January 21, 2005

Auditors' Report

To the Unitholders of Profit Booking Blue Chip Trust

We have audited the statements of investments and net assets of **Profit Booking Blue Chip Trust** (the Trust) as at December 31, 2004 and the statements of operations, changes in net assets and cash flows for the period from June 1, 2004 (the date of commencement of operations) to December 31, 2004. These financial statements are the responsibility of the Trust's management. 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 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, 2004 and the results of its operations, the changes in its net assets and its cash flows for the period from June 1, 2004 (the date of commencement of operations) to December 31, 2004 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

PROFIT BOOKING BLUE CHIP TRUST

Statement of Net Assets

As at December 31, 2004

ASSETS

| | | |
|---|----|------------|
| Cash and short term investments | \$ | 505,907 |
| Dividends and interest receivable | | 66,617 |
| Investments at market value (note 4) (cost: \$25,297,995) | | 26,694,715 |
| | \$ | 27,267,239 |

LIABILITIES AND UNITHOLDERS' EQUITY

| | | |
|--|----|-----------|
| Professional, custody and other fees payable | \$ | 74,545 |
| Distribution payable (Note 8) | | 161,608 |
| Loan Facility (Note 9) | | 1,581,984 |
| | | 1,818,137 |

NET ASSETS AND UNITHOLDERS' EQUITY \$ **25,449,102**

NUMBER OF UNITS OUTSTANDING (note 5) **2,693,473**

NET ASSET VALUE PER UNIT \$ **9.45**

SIGNED ON BEHALF OF THE TRUSTEE,

(signed) WAYNE L. PUSHKA
Director

(signed) Thomas I.A. Allen
Director

PROFIT BOOKING BLUE CHIP TRUST

Statement of Operations

For the period from June 1, 2004 to December 31, 2004

| | | |
|---|----|-----------|
| INCOME | | |
| Dividends (net of withholding taxes) | \$ | 413,226 |
| Interest | | 21,883 |
| | \$ | 435,109 |
| <hr/> | | |
| EXPENSES | | |
| Management fees (note 7) | \$ | 93,295 |
| Legal fees | | 65,752 |
| Service fees | | 61,879 |
| Insurance and board expenses | | 52,115 |
| Loan facility fees (note 9) | | 38,677 |
| Office and administrative fees | | 15,931 |
| Interest expense (note 9) | | 28,888 |
| Custodian fees | | 27,973 |
| Accounting, audit and professional fees | | 33,505 |
| Regulatory and listing expenses | | 17,430 |
| Unit holder servicing expense | | 1,152 |
| | \$ | 436,597 |
| <hr/> | | |
| NET INVESTMENT LOSS | | (1,488) |
| | | |
| CHANGE IN UNREALIZED APPRECIATION OF INVESTMENTS (note 4) | | 1,396,720 |
| REALIZED GAINS ON INVESTMENTS (NOTE 4) | | 232,406 |
| <hr/> | | |
| NET INCOME FROM OPERATIONS FOR THE PERIOD | \$ | 1,627,638 |
| <hr/> | | |
| NET INCOME FROM OPERATIONS PER UNIT FOR THE PERIOD | \$ | 0.60 |

PROFIT BOOKING BLUE CHIP TRUST

Statement of Changes in Net Assets

For the period from June 1, 2004 to December 31, 2004

| | | |
|--|-----------|-------------------|
| NET ASSETS - BEGINNING OF PERIOD | \$ | - |
| <hr/> | | |
| NET INCOME FROM OPERATIONS FOR THE PERIOD | \$ | 1,627,638 |
| <hr/> | | |
| UNIT TRANSACTIONS (note 5) | | |
| Proceeds from issuance of units | \$ | 26,934,730 |
| Unit issuance costs | | (2,143,616) |
| NET PROCEEDS | | 24,791,114 |
| <hr/> | | |
| DISTRIBUTION TO UNITHOLDERS (note 8) | | (969,650) |
| <hr/> | | |
| NET ASSETS - END OF PERIOD | \$ | 25,449,102 |
| <hr/> | | |
| DISTRIBUTION PER UNIT FOR THE PERIOD (note 8) | \$ | 0.360 |
| <hr/> | | |

PROFIT BOOKING BLUE CHIP TRUST

Statement of Cash Flow

For the period from June 1, 2004 to December 31, 2004

CASH FLOW FROM OPERATIONS

| | | |
|--|----|-------------|
| Net income from operations | \$ | 1,627,638 |
| Items not affecting cash: | | |
| Realized gain on investments | | (232,406) |
| Change in unrealized appreciation of investments | | (1,396,720) |
| Changes in non-cash working capital | | 7,928 |
| | \$ | 6,440 |

CASH FLOW FROM INVESTING ACTIVITIES

| | | |
|------------------------------|--|--------------|
| Purchase of common shares | | (27,052,827) |
| Proceeds from sale of stocks | | 1,987,238 |
| Distributions paid | | (808,042) |
| | | (25,873,631) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---------------------|----|-------------|
| Issuance of units | \$ | 26,934,730 |
| Offering costs paid | | (2,143,616) |
| Net proceeds | \$ | 24,791,114 |
| Proceeds from loan | \$ | 2,453,737 |
| Repayment of loans | | (871,753) |
| Net advanced | \$ | 1,581,984 |

| | | |
|-------|----|------------|
| Total | \$ | 26,373,098 |
|-------|----|------------|

| | | |
|---|----|---------|
| Net increase in cash and short-term investments | \$ | 505,907 |
|---|----|---------|

| | | |
|---|----|---|
| CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF PERIOD | \$ | - |
|---|----|---|

| | | |
|---|----|---------|
| CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD | \$ | 505,907 |
|---|----|---------|

Supplementary information

| | | |
|---------------|----|--------|
| Interest paid | \$ | 28,888 |
|---------------|----|--------|

PROFIT BOOKING BLUE CHIP TRUST

Statement of Investments

As at December 31, 2004

| Investment Portfolio | Number of Shares | Average Cost | Market Value | Percentage of Portfolio |
|--------------------------------------|-------------------------|----------------------|----------------------|--------------------------------|
| CANADIAN EQUITIES | | | | |
| Alcan Inc. | 11,057 | \$ 611,548 | \$ 650,152 | 2.4% |
| Aliant Inc. | 24,803 | \$ 672,767 | \$ 689,523 | 2.6% |
| Bank of Montreal | 11,774 | \$ 616,835 | \$ 680,066 | 2.5% |
| Bank of Nova Scotia | 18,000 | \$ 613,888 | \$ 732,600 | 2.7% |
| BCE Inc. | 25,094 | \$ 674,283 | \$ 725,718 | 2.7% |
| CIBC | 9,115 | \$ 605,410 | \$ 658,376 | 2.5% |
| Canadian Oil Sands Trust | 11,100 | \$ 472,138 | \$ 750,471 | 2.8% |
| Canadian Tire Corporation | 12,000 | \$ 559,681 | \$ 674,520 | 2.5% |
| Canadian Utilities Limited | 11,500 | \$ 621,442 | \$ 734,850 | 2.8% |
| Cascades Inc. | 49,500 | \$ 680,057 | \$ 663,300 | 2.5% |
| Dofasco Inc. | 14,796 | \$ 560,697 | \$ 671,738 | 2.5% |
| Emera Inc. | 36,150 | \$ 616,529 | \$ 692,996 | 2.6% |
| Enbridge Inc. | 11,600 | \$ 568,941 | \$ 692,520 | 2.6% |
| EnCana Corp | 9,893 | \$ 554,457 | \$ 676,681 | 2.5% |
| Finning International Inc. | 20,900 | \$ 673,137 | \$ 731,291 | 2.7% |
| Great-West Lifeco Inc. | 27,400 | \$ 672,121 | \$ 731,580 | 2.7% |
| IGM Financial, Inc. | 20,100 | \$ 674,771 | \$ 736,464 | 2.8% |
| Imperial Oil Ltd. | 10,020 | \$ 612,002 | \$ 712,923 | 2.7% |
| Loblaw Companies Limited | 9,800 | \$ 611,565 | \$ 705,796 | 2.6% |
| Manitoba Telecom Services Inc. | 14,406 | \$ 674,507 | \$ 705,894 | 2.6% |
| Manulife Financial Corporation | 12,755 | \$ 672,301 | \$ 706,627 | 2.6% |
| MDS Inc. | 31,200 | \$ 673,830 | \$ 526,656 | 2.0% |
| Molson Inc. | 18,900 | \$ 609,642 | \$ 670,572 | 2.5% |
| National Bank of Canada | 14,100 | \$ 618,065 | \$ 698,796 | 2.6% |
| Petro-Canada | 10,400 | \$ 609,129 | \$ 636,168 | 2.4% |
| RioCan Real Estate Inv. Trust | 39,850 | \$ 601,056 | \$ 707,338 | 2.6% |
| Royal Bank of Canada | 11,385 | \$ 674,963 | \$ 731,486 | 2.7% |
| Saputo Inc. | 18,500 | \$ 608,859 | \$ 670,995 | 2.5% |
| Sun Life Financial Inc. | 16,800 | \$ 616,285 | \$ 674,520 | 2.5% |
| The Thomson Corporation | 15,100 | \$ 674,789 | \$ 638,277 | 2.4% |
| The Toronto-Dominion Bank | 13,543 | \$ 604,517 | \$ 676,067 | 2.5% |
| TOTAL CANADIAN EQUITIES | | \$ 19,310,212 | \$ 21,354,961 | 79.9% |
| U.S. EQUITIES | | | | |
| 3M Co. | 5800 | \$ 683,885 | \$ 570,327 | 2.1% |
| General Electric Company | 14910 | \$ 633,338 | \$ 652,051 | 2.4% |
| Hewlett-Packard Company | 23600 | \$ 685,224 | \$ 592,955 | 2.2% |
| The Home Depot, Inc. | 13000 | \$ 629,337 | \$ 665,716 | 2.5% |
| IBM | 5700 | \$ 687,445 | \$ 673,247 | 2.5% |
| Intel Corporation | 17500 | \$ 683,957 | \$ 490,433 | 1.8% |
| Johnson & Johnson | 9000 | \$ 682,783 | \$ 683,880 | 2.6% |
| Microsoft Corporation | 17300 | \$ 621,187 | \$ 553,645 | 2.1% |
| Pfizer Inc. | 14200 | \$ 680,628 | \$ 457,500 | 1.7% |
| TOTAL U.S. EQUITIES | | \$ 5,987,784 | \$ 5,339,754 | 20.1% |
| TOTAL INVESTMENTS | | \$ 25,297,995 | \$ 26,694,715 | 100.00% |
| OTHER ASSETS LESS LIABILITIES | | | (1,245,613) | |
| TOTAL NET ASSETS | | | \$ 25,449,102 | |

The accompanying notes form an integral part of these financial statements.

PROFIT BOOKING BLUE CHIP TRUST

Notes to the Financial Statements

December 31, 2004

1. ESTABLISHMENT OF THE TRUST

Profit Booking Blue Chip Trust (the "Trust") is an investment trust established under the laws of the Province of Ontario on May 19, 2004 (date of inception). On May 31, 2004, the Trust completed an initial public offering (the "Offering") of 2,500,000 units at \$10 per unit (the "Offering Price"). Subsequently an option granted to the agents was exercised for 193,473 units at \$10 per unit. The Fund's units are listed on The Toronto Stock Exchange under the symbol PBK.UN. The Trust began operations on May 31, 2004 when it completed its initial public offering. The Trust will terminate operations on December 31, 2011 (the "Termination Date") and the net assets will be distributed pro rata to unitholders. The manager of the Trust is Crown Hill Capital Corporation (the "Manager"), which is a wholly-owned subsidiary of First Paladin Inc. ("First Paladin").

2. INVESTMENT OBJECTIVES OF THE TRUST

The stated investment objectives are:

- (i) to provide unit holders with a stable stream of monthly distributions targeted at \$0.06 per Unit (\$0.72 per annum) or 7.2% of the Offering Price; and
- (ii) to preserve and potentially enhance the net asset value of the Trust in order to return at least the Offering Price to unit holders upon the Termination date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

a) Investment Valuation

Portfolio Securities

Securities listed on a public stock exchange are valued at their closing sale price on the valuation date. Securities not traded on that date are valued at the average of the closing recorded bid and ask prices or the price used on the previous valuation day if the price is not available. Securities not listed on any exchange are valued based upon the available public quotations in common use or at a price estimated to be the fair value thereof as determined by the Manager of the Fund.

Short-Term Investments

Short-term investments are recorded at cost and valued at cost plus accrued interest which approximates market value.

b) Investment Transactions and Income Recognition

- i. Investment transactions are accounted for on the trade date.
- ii. Interest income and expenses are recorded on the accrual basis.
- iii. Dividend income is recorded on the ex-dividend date.

PROFIT BOOKING BLUE CHIP TRUST

Notes to the Financial Statements

December 31, 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Realized gains and losses on investments and unrealized appreciation or depreciation of investments are calculated using the average cost of the related investments.

c) *Net asset value per unit*

The net asset value (the “NAV”) per unit is computed by dividing the net assets of the Fund by the total number of units outstanding.

d) *Foreign Exchange*

The market value of investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates prevailing on each valuation date. Purchases and sales of investments, income and expenses are translated into Canadian dollars at the foreign exchange rates prevailing on the respective dates of such transactions.

4. INVESTMENT PORTFOLIO

The following tables summarizes movements in investments during the period:

Investment summary at cost

| | |
|--|--------------|
| Investments at cost- beginning of period | Nil |
| Investments made during the period | \$27,052,827 |
| Dispositions during the period | \$1,754,832 |
| Investments at cost – end of period | \$25,297,995 |

Market Value of investments

| | |
|---|--------------|
| Investments at cost – end of period | \$25,297,995 |
| Unrealized gain on investments | \$1,396,720 |
| Investments at market value – end of period | \$26,694,715 |

PROFIT BOOKING BLUE CHIP TRUST

Notes to the Financial Statements

December 31, 2004

4. INVESTMENT PORTFOLIO (continued)

Realized gain on investments

| | |
|----------------------------------|-------------|
| Proceeds of investments sold | \$1,987,238 |
| Cost of investments sold | \$1,754,832 |
| Net realized gain on investments | \$232,406 |

5. UNITS ISSUED AND OUTSTANDING

The Trust is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund. Unitholders are entitled to redeem their units outstanding in May of each year as more particularly described in the prospectus. Units will be redeemed at the net asset value per unit on the redemption date.

The Trust realized gross proceeds of \$26,934,730 based on the issuance of 2,693,473 units. Agent's fees of \$1,414,073 and issuance costs of \$729,543 were incurred in connection with the offering.

The following unit transactions took place during the period:

| | |
|--|-----------|
| Balance of units outstanding – beginning of period | Nil |
| Units issued during the period | 2,693,473 |
| Units cancelled or redeemed during the period | Nil |
| Balance of units outstanding – end of period | 2,693,473 |

Unitholders' equity comprised of unit capital and retained earnings. The following transactions for unit capital and retained earnings took place in the period May 31, 2004 to December 31, 2004:

| | |
|--|--------------|
| Unit capital – beginning of period | Nil |
| Gross proceeds from offering (net of agent's fees) | \$25,520,657 |
| Offering costs | (\$729,543) |
| Unit capital – end of period | \$24,791,114 |

PROFIT BOOKING BLUE CHIP TRUST

Notes to the Financial Statements

December 31, 2004

5. UNITS ISSUED AND OUSTANDING (continued)

| | |
|---|-------------|
| Retained earnings – beginning of period | Nil |
| Net income from operations for the period | \$1,627,638 |
| Distributions to unitholders | (\$969,650) |
| Retained earnings – end of period | \$657,988 |

6. TAXATION

The Trust qualifies as a “mutual fund trust” within the meaning of the *Income Tax Act* (Canada). The Trust is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the year, including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or made payable to unitholders in the year. No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized capital gains are distributed to the unitholders.

As at December 31, 2004, the Trust had non-capital losses of approximately \$112,000 which will expire in the 2011 taxation year. Taxable income may differ from net income for accounting purposes.

7. RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual fee of 0.60% of the NAV of the Trust, calculated and payable, monthly. This amount totalled \$93,295 for the period ended December 31, 2004 (of which \$12,863 is payable at December 31, 2004). All other expenses of the Fund are initially paid by the Manager, which is then reimbursed by the Fund in a reasonable amount of time.

Included in the Offering costs is a Promoter fee in the amount of \$80,000 plus GST which was paid to First Paladin. The Trust is also paying a monthly overhead cost to First Paladin. This overhead cost varies monthly, depending on the actual costs incurred. Management estimate the overhead cost to approximate \$80,000 per annum. For the period ended December 31, 2004 these costs totaled \$15,410.

8. DISTRIBUTIONS

As stated in Note 2, the Trust makes monthly distributions to unit holders of \$0.06 per unit. The distributions commenced July 30, 2004 and the Trust had made distributions totaling \$969,650 to December 31, 2004.

9. LOAN FACILITY

In accordance with the terms of the Initial Public Offering, the Trust was authorized to borrow money from a Canadian chartered bank for the purposes of meeting certain of the Trusts investment objectives. The Trust has since obtained a secured 365-day revolving term credit facility to a maximum of \$2,750,000. The Trust has granted the bank a General Security Agreement over the Trust assets.

PROFIT BOOKING BLUE CHIP TRUST

Notes to the Financial Statements

December 31, 2004

As at December 31, 2004, the Trust had borrowed \$1,581,984 (principal - \$1,600,000) of the facility for a 158-day term. The Trust is therefore required to repay the borrowed funds on or about May 31, 2005.