

Financial Statements of

PROFIT BOOKING BLUE CHIP TRUST

September 30, 2004

(unaudited)

PROFIT BOOKING BLUE CHIP TRUST

Notes to the Financial Statements

September 30, 2004

(unaudited)

	<u>Page</u>
Statement of Net Assets	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Investments	4
Notes to the Financial Statements	5-7

PROFIT BOOKING BLUE CHIP TRUST

Statement of Net Assets

As at September 30, 2004

(unaudited)

ASSETS

Cash and short term investments	\$	417,861
Prepaid expenses		23,132
Investments at market value (cost \$26,558,649)		26,553,919
	\$	26,994,912

LIABILITIES AND UNITHOLDERS' EQUITY

Distribution payable (Note 5)		161,608
Loan Facility (Note 6)		2,500,000
		2,661,608

NET ASSETS AND UNITHOLDERS' EQUITY \$ 24,333,304

NUMBER OF UNITS OUTSTANDING 2,693,473

NET ASSET VALUE PER UNIT \$ 9.03

PROFIT BOOKING BLUE CHIP TRUST

Statement of Changes in Net Assets

For the period from July 1, 2004 to September 30, 2004

(unaudited)

DECREASE IN NET ASSETS FROM OPERATIONS	\$	(2,116,685)
DISTRIBUTION TO UNITHOLDERS		(484,825)
<hr/>		
DECREASE IN NET ASSETS DURING THE PERIOD		(2,601,510)
<hr/>		
NET ASSETS, BEGINNING OF PERIOD		26,934,814
NET ASSETS, END OF PERIOD	\$	24,333,304

PROFIT BOOKING BLUE CHIP TRUST

Statement of Operations

For the period from July 1, 2004 to September 30, 2004

(unaudited)

INCOME		
Dividends	\$	154,962
Capital gains		54,528
Interest		6,458
		<hr/>
		215,948
<hr/>		
EXPENSES		
Agents Fees	\$	1,413,987
Offering Expense		729,541
Insurance and board expenses		42,800
Management fees (Note 4)		39,717
Interest paid		33,214
Legal fees		32,504
Unrealized foreign exchange loss		14,452
Regulatory and listing expenses		16,554
Accounting, audit and professional fees		4,879
Unit holder servicing expense		256
		<hr/>
		2,327,904
<hr/>		
NET INVESTMENT LOSS		(2,111,956)
<hr/>		
UNREALIZED LOSS ON INVESTMENTS		(4,729)
<hr/>		
DECREASE IN NET ASSETS FROM OPERATIONS	\$	(2,116,685)

PROFIT BOOKING BLUE CHIP TRUST

Statement of Investments

For the period from July 1, 2004 to September 30, 2004

(unaudited)

EQUITIES

<u>Number of Units</u>	<u>Description</u>	<u>Average Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/Loss</u>
12,157	Alcan Inc	672,388	\$ 735,499	\$ 63,111
24,803	Aliant Inc	672,767	635,701	(37,067)
25,094	BCE Inc.	674,283	683,812	9,528
12,874	Bank of Montreal	674,464	711,932	37,468
18,000	Bank of Nova Scotia	613,888	665,100	51,212
10,115	Canadian Imperial Bank of Commerce	671,829	684,482	12,653
13,100	Canadian Oil Sands Trust Unit	559,488	715,915	156,427
14,500	Canadian Tire Corp Class A	676,282	720,215	43,933
12,500	Canadian Utilities Ltd Class B	675,480	688,125	12,645
49,500	Cascades Inc.	680,057	665,775	(14,282)
16,196	Dofasco Inc.	613,750	689,950	76,199
39,750	Emera Inc.	677,926	707,550	29,624
11,993	Encana Corporation	672,153	699,792	27,639
13,800	Enbridge Inc.	676,844	727,950	51,106
20,900	Finning International Inc.	673,137	655,215	(17,922)
13,700	The Great-West Lifeco Inc	672,121	696,645	24,524
11,020	Imperial Oil Ltd	673,080	721,590	48,509
20,100	Investors Group Inc.	674,771	675,360	589
10,800	Loblaw Co Ltd	673,969	699,300	25,331
31,200	MDS Inc	673,830	604,656	(69,174)
14,406	Manitoba Telecom Services Inc.	674,507	611,391	(63,116)
12,755	Manulife Financial Corp	672,301	706,627	34,326
18,900	Molson Inc. Class A	609,641	606,690	(2,951)
15,400	National Bank of Canada	675,050	675,598	548
10,400	Petro-Canada	609,128	683,696	74,568
43,850	RioCan Real Estate Investment Trust	675,872	723,525	47,653
11,385	Royal Bank of Canada	674,963	682,531	7,568
20,500	Saputo Inc.	674,681	685,725	11,044
18,400	Sun Life Financial Inc.	674,979	702,696	27,717
15,100	The Thomson Corp	674,788	662,739	(12,049)
15,043	The Toronto-Dominion Bank	671,472	693,332	21,860
14,910	General Electric Company	627,893	633,633	5,740
23,600	Hewlett-Packard Company	681,657	560,007	(121,651)
14,000	The Home Depot, Inc.	679,376	694,533	15,157
17,500	Intel Corp	680,411	444,271	(236,140)
5,700	International Business Machines Corp	683,939	618,497	(65,441)
9,000	Johnson & Johnson	684,395	641,596	(42,799)
17,300	Microsoft Corp.	613,276	605,370	(7,906)
14,200	Pfizer Inc.	682,253	549,907	(132,346)
5,800	3M Company	685,560	586,995	(98,565)
TOTAL EQUITIES		26,558,649	26,553,919	(4,729)
TOTAL INVESTMENTS		\$ 26,558,649	\$ 26,553,919	\$ -4,729

PROFIT BOOKING BLUE CHIP TRUST

Notes to the Financial Statements

September 30, 2004

(unaudited)

1. THE FUND

Profit Booking Blue Chip Trust (the "Fund") is an investment trust established under the laws of the Province of Ontario on May 19, 2004 (date of inception). At that time, the Fund 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. The Fund 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 Fund is Crown Hill Capital Corporation (the "Manager").

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.

In order to meet its investment objectives, the Fund will adopt the following strategies:

1) **Investment Strategy:** The Trust will invest the net proceeds of the Offering in a highly diversified equally weighted portfolio of equity securities (the Blue Chip Portfolio.) which is expected to be comprised of the securities of approximately 40 different issuers. Each issuer whose securities are included in the Blue Chip Portfolio will have a market capitalization of at least \$1 billion at the time of investment and meet the other investment criteria of the Trust. To generate additional returns, the Trust may, from time to time, write covered call options in respect of individual securities held in the Blue Chip Portfolio.

2) **Profit Booking:** If and when the value of any security held in the Blue Chip Portfolio exceeds the original acquisition value by at least 10% the Trust will lock in that 10% or greater gain by using its Profit Booking strategy. The net proceeds of any disposition of securities (after providing for distributions to Unitholders) will be invested in a portfolio of High Quality Fixed Income Securities (the Profit Booking Portfolio) maturing on or about the Termination Date of the Trust.

Reference is made to the Fund's prospectus for complete details of Fund's objectives and structure.

2. 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. The difference between the market value of portfolio securities and

PROFIT BOOKING BLUE CHIP TRUST

Notes to the Financial Statements

September 30, 2004

(unaudited)

their average cost is the unrealized appreciation (depreciation) of investments on the Statements of Operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is recorded on the accrual basis.
- iii. Dividend income is recorded on the ex-dividend date.
- iv. 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.

3. TAXATION

The Fund qualifies as a mutual fund trust within the meaning of the Income Tax Act (Canada). The Fund 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.

4. 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 \$39,717 for the period ended September 30, 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.

PROFIT BOOKING BLUE CHIP TRUST

Notes to the Financial Statements

September 30, 2004

(unaudited)

5. DISTRIBUTIONS

As stated in Note 1, the Trust makes monthly distributions to unit holders. The Fund is currently making monthly distributions of \$161,608. The distributions commenced July 30, 2004.

6. 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.

On June 29, 2004, the Trust borrowed \$2,500,000 of the facility for a six-month term. The Trust is therefore required to repay the borrowed funds on or about December 29, 2004.

7. UNITHOLDERS' EQUITY

The Fund 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. Units will be redeemed at the net asset value per unit on the redemption date.