

Financial Statements of

**MALACHITE AGGRESSIVE  
PREFERRED FUND**

Period ended December 31, 2001

## AUDITORS' REPORT

To the Trustee and the Manager of Malachite Aggressive Preferred Fund (the "Fund")

We have audited the statements of net assets of the Fund as at December 31, 2001 and the statements of operations, changes in net assets and cash flows for the period from the date of commencement, March 30, 2001 to December 31, 2001. These financial statements are the responsibility of the Manager of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

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 Fund as at December 31, 2001 and the results of its operations, changes in its net assets and its cash flows for the years ended December 31, 2001 in accordance with Canadian generally accepted accounting principles.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a single horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Accountants

Vaughan, Canada

February 13, 2002

# MALACHITE AGGRESSIVE PREFERRED FUND

Statement of Net Assets

December 31, 2001

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## Net Assets

Investments, at market value (note 2)	\$ 270,260
Accrued income receivable	2,191
Due from brokers	31,157
Organization costs, net (note 1(b))	1,360
	<hr/> 304,968

Margin borrowings	28,997
Due to brokers	20,189
Accounts payable and accrued liabilities	3,000
	<hr/> 52,186

Total net assets	<hr/> \$ 252,782
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## Unitholder's Equity (note 3)

25,607.1003 units issued and outstanding	\$ 256,346
Unrealized appreciation in value of investments	(3,564)

	<hr/> \$ 252,782
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Net asset value per unit	<hr/> \$ 9.8715
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See accompanying notes to financial statements.

On behalf of the Trustee:

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Hymas Investment Management Inc.

# MALACHITE AGGRESSIVE PREFERRED FUND

## Statement of Operations

Period from the date of commencement, March 30, 2001 to December 31, 2001

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Revenue:		
Dividends	\$	9,610
Interest		327
		<hr/>
		9,937
Expenses:		
Professional fees		1,400
Amortization		240
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		1,640
Net income		<hr/>
		8,297
Net gain on investment		–
Realized gain on sale of investments		15,610
Unrealized appreciation of investments		(3,564)
		<hr/>
		12,046
Income from operations	\$	<hr/>
		20,343
Income from operations per unit (based on weighted average number of units outstanding during the year)	\$	<hr/>
		0.8949

See accompanying notes to financial statements.

# MALACHITE AGGRESSIVE PREFERRED FUND

## Statement of Cash Flows

Period from the date of commencement, March 30, 2001 to December 31, 2001

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Cash provided by (used in):

Operations:

Income from operations	\$	20,343
Items not involving cash;		
Amortization		240
Decrease in unrealized appreciation of investments		3,564
Accrued income receivable		(2,191)
Due from brokers		(31,157)
Margin borrowings		28,997
Due to brokers		20,189
Accounts payable and accrued liabilities		3,000
		<hr/>
		42,985

Distributions to unitholder (note 4) (23,907)

Financing:

Units issued 256,346

Investing:

Organization costs	(1,600)
Proceeds on disposal of investments	1,212,144
Purchase of investments	(1,485,968)
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	(275,424)

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Cash, end of period \$ -

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See accompanying notes to financial statements.

# MALACHITE AGGRESSIVE PREFERRED FUND

## Notes to Financial Statements

Period from the date of commencement, March 30, 2001 to December 31, 2001

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Malachite Aggressive Preferred Fund is a "mutual fund in Ontario" as defined in The Securities Act, R.S.O. 1990, Chapter S.5, as amended (the "Act"), subsection 1(1).

Hymas Investment Management Inc. is the Investment Manager and trustee of the fund. The fund is offered as an investment via a Master Declaration of Trust (for the Malachite Funds in general) and an associated Fund Regulation (for the fund itself).

### 1. Significant accounting policies:

#### (a) Investments:

Investments are stated at market value.

#### (b) Organization costs:

Organization costs of \$1,600 are being amortized on a straight line basis over five years.

#### (c) Investment income:

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date.

#### (d) Income taxes:

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) and each year it will distribute, to its unitholders, all of its net income and net realized taxable capital gains. Such income and realized capital gains are taxable in the hands of the unitholders and not in the Fund. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

#### (e) 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 revenues and expenses during the year. Actual results could differ from those estimates.

# MALACHITE AGGRESSIVE PREFERRED FUND

Notes to Financial Statements (continued)

Period from the date of commencement, March 30, 2001 to December 31, 2001

## 2. Investments:

Shares	Security	Book value	Market value	Weight in portfolio
100	Brascan Corporation Class A Preference Shares, Series 10	\$ 2,544	\$ 2,506	0.9%
500	Power Financial Corporation 5.5% First Preference Shares, Series D	12,286	11,950	4.4%
2,000	TransCanada Pipelines Limited, 5.6% First Preference Shares Series Y	90,400	90,500	33.5%
2,300	Westcoast Energy Inc., 5.5% First Preferred Shares, Series 7	54,618	52,854	19.6%
2,200	Power Corporation of Canada, 5.35% First Preferred Shares, Series B	49,387	49,390	18.3%
3,000	Power Financial Corporation 5.25% First Preferred Shares, Series E	64,589	63,060	23.3%
		<b>\$ 273,824</b>	<b>\$ 270,260</b>	<b>100%</b>

## 3. Unitholder's equity:

	Units	Value
Issued during the period, being balance, end of period	25,607.1003	\$ 256,346

# MALACHITE AGGRESSIVE PREFERRED FUND

Notes to Financial Statements (continued)

Period from the date of commencement, March 30, 2001 to December 31, 2001

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## 4. Distributions to unitholder:

	Type	Per unit	Total
June 29, 2001	Dividends	.1862	\$ 4,322
September 28, 2001	Dividends	.0588	1,390
December 31, 2001	Dividends	.1088	2,585
December 31, 2001	Capital gains	.6569	15,610
			<hr/>
			\$ 23,907

## 5. Management fees:

Management fees are payable by the unitholder directly to the Manager and accordingly, are not reflected in these financial statements.

## 6. Expenses:

During the period, commissions of \$3,771 were incurred with respect to securities transactions.

The Management Expense Ratio ("MER") during the period was 0.65%.