Kavilco INCORPORATED

2003 Annual Report

Board of Directors

Front row, left to right: Kenneth Gordon, Louis A. Thompson, Marie Miller, Scott Burns, & John Campbell. Standing: Laird Jones, Ramona Hamar, Jeane Breinig, Louis Jones, Sr. & Melanie Locklear.

For thirty-one years Kavilco has adhered to it's mission:

> "To honor the vision and unselfish actions of our Kasaan Haida ancestors and elders, the goals of Kavilco Incorporated are to provide dividiends and to preserve the assets for all generations."

As we face the challenges of the current economy, *"to provide dividends and to preserve the assets for all generations"* is always foremost in our minds.

However, for the past few years and into the near future we have looked at *"to preserve the assets for all generations"* to also include a very important asset of our Haida heritage, namely Chief Son-I-Hat's Whale House and Totem Park. Within the pages of this Annual Report you will find photographs showing the current state of

President/Chief Executive Officer

Dear Shareholders,

As we enter our thirty-first year of operation we are working hard to maintain the highest level of net income as we can in these poor economic times. We are constantly looking at all types of low risk secure opportunities to protect a certain level of dividend to the shareholders.

We are still busy looking for grants so that we can contract with a knowledgeable engineering firm for estimated costs on the reconstruction to the Chief Son-I-Hat Whale House and Totem Park. This estimate will enable us to justify to Congress that we do indeed need a certain amount of funds for this restoration project. At this point I believe it will cost somewhere in the neighborhood of six million dollars for a total restoration of the longhouse and totem poles. The high cost will be due to the remoteness of Kasaan and will be labor intensive using skilled artists.

The other project that is still pending is the expansion of the water and sewer system into the shareholder subdivision. This project is funded through a congressional appropriation to the Denali Commission and is managed by the City of Kasaan.

This year we are also working at completing an amendment to our 1980 land use plan. This amendment will show all the closed out logging roads, log harvested units and log transfer sites within our complete land holdings. This amended land use plan will be of value to our shareholders both for future plans and historical reference.

Since our last report was issued we have lost two of our original

shareholders; Pauline Blackstad (100 years) was our oldest living shareholder and Ernest T. Jones (71 years). Both of these shareholders were born in Kasaan.

The Board of Directors and Management have had a trying economic year working at managing the funds of the corporation for the best interest of the shareholders. We hope to see you at your annual meeting in Ketchikan on November 6, 2004.

Sincerely,

Louis A. Thompson
President/Chief Executive Officer

KAVILCO INC.
KASAAN ALASKA
HALE ALASKA INDIAN DESCENDANTS ALL

Chief Financial Officer

Dear Shareholders,

The anemic economic growth that plagued the previous three years was still clearly evident at the beginning of 2003. Granted, the investor sentiment was not great, with the Iraqi conflict looming out in the future, but the economic indicators were still pointing to an economy that was laboring under imbalances that grew out of the late 1990's boom.

Remember that it was homegrown cyclical forces, not geopolitical risks that triggered the 2001 recession. In 2002 major head winds in the economy were higher energy costs that crimped household budgets and a stagnant job market which raised pessimism.

Congress and the Federal Reserve (Fed) acted in concert to spark an economic revival. On May 28, 2003, President Bush signed into law the Jobs and Growth Tax Relief Reconciliation Act of 2003. The tax cut package contained ten key tax-related provisions that marked the cornerstone of Bush's economic stimulus plan. The Fed voted to reduce the fed fund rate by .25 percent to a forty-year low of 1.00 percent.

How successful was the combined effort to offset the powerful tug-of-war between massive policy reflation and the lingering after-effects of the various shocks that have hit the economy during the past three years? The sharp drop in interest rates and tax cuts resulted in sustaining consumer spending, but has not yet managed to trigger a rebound in business spending. Corporate executives remain extremely cautious, focused more on cost cutting and balance sheet restructuring than on expanding.

So how are these economic events impacting our portfolio? In 2002, we had bonds that were sold or matured that carried a +7% yield. Currently, interest rates are at a 40-year low with money market funds yielding a whopping .6% and Treasury bonds in the 2%-3 ½% range. This translates into lost revenue in the neighborhood of $250,000. In an attempt to offset the major decline in interest rates, at our November 2002 meeting the Board approved a strategy whereby ten-year Treasury bonds would be actively traded. The goal was to trade bonds in the volatile interest rate environment in order to capture capital gains. The foregoing strategy depended on declining interest rates. For the first 10 months of the year, over $34 million of trades were made. By way of comparison, for the same period in 2002, we had only $5 million in trades. The fruits of our labor resulted in $207,245 in capital gains that was included in your December 2003 dividend.

Although we were successful in our trading strategy we now have only two invest-

ments that are under financial stress. We have invested one million dollars in each of the foregoing companies. 1). Xcel Energy Inc. whose wholly owned subsidiary NRG declared bankruptcy last year. There was a concern that this would result in Xcel also filing for bankruptcy. However, Xcel did not file and NRG's bankruptcy should be settled in December. Future interest payments will not be impacted. 2). Ford Motor Company - Although this company has been reducing costs at a feverishly pace, it still has a long ways to go. If the opportunity arises, both of these issues will be sold.

Toward the end of the year we were able to sell one of our economically stressed investments. The Securities and Exchange Commission found that Qwest Communication fraudulently misstated $2.4 billion in revenue. The Justice Department has filed a 12-count criminal indictment against three former Qwest executives. In spite of the rampant accounting fraud, we have always felt that the underlying fundamentals of Qwest are lousy. There was a brief period of time at the end of the year when these bonds rallied. We immediately seized the opportunity and sold into the strength of the market.

The stock market has been in a bull market rally since the end of March of 2003. From a historical perspective, bull market rallies can occur in secular bear markets. The reason why these brief violent and spectacular rallies don't have legs is that the stock valuations are way too high. As a matter of fact, we are almost back to the mania days before the stock market bubble burst. After the stock market bubble burst in March of 2000, we went back to our original and most successful stock market strategy – value investing. Accordingly, because values were so high, we did not actively participate in the echo bubble rally. However, we have recently adopted a strategy that will use momentum indicators to track the market and various stocks which should afford us the opportunity to take advantage of the next rally in this secular bear market.

One of the new and more exciting developments that has taken place in 2003 is our website. Actually there are 2 websites in 1 at www.kavilco.com, one for Kavilco corporate business and one for Kasaan Haida Heritage Foundation. We can thank Charisse Dwyer, Corporate Secretary for operations, for all of her hard work and historical research that made it possible to create the most informative and well designed website of all the Alaska Native websites I have seen. We hope you find the website helpful and informative. We keep it updated and changes occur frequently, so visit often.

Sincerely,

Scott Burns
Chief Financial Officer

Officers and Directors

Louis A. Thompson
President/
Chief Executive Officer

Louis Jones, Sr.
Vice President

Scott Burns
Chief Financial Officer

John Campbell
Secretary

Jeane Breinig
Director

Kenneth Gordon
Director

Ramona Hamar
Director

Laird Jones
Director

Melanie Locklear
Director

Marie Miller
Director

Dividend Distributions

1980 Initial Distribution	$3,000,000
1981 Debenture	1,200,000
1981 Alaska Native Fund	283,282
1982 Debenture	1,200,000
1983 Alaska Native Fund	69,940
1983 Debenture	1,200,000
1984 Debenture	1,200,000
1984 Dividend	120,000
1985 Debenture	1,200,000
1986 Dividend	120,000
1986 Debenture	1,200,000
1987 Debenture	1,200,000
1987 Property Dividend	236,066
1987 Dividend	120,000
1988 Debenture	1,200,000
1989 Debenture	1,200,000
1989 Dividend	240,000
1990 Debenture	1,200,000
1990 Dividend	600,000
1991 Dividends	1,080,000
1992 Dividends	960,000
1993 Dividends	1,212,000
1994 Dividends	1,248,300
1995 Dividends	1,728,000
1996 Dividends	1,927,680
1997 Dividends	1,992,000
1998 Dividends	1,956,003
1999 Dividends	2,027,160
2000 Dividends	1,811,000
2001 Dividends	1,932,000
2002 Dividends	1,764,000
2003 Dividends	1,650,000
TOTAL DISTRIBUTIONS	**$38,077,431**
Total per share (12,000 shares)	$3,173

IF YOU HELD 100 SHARES SINCE 1980 YOU HAVE RECEIVED

$317,300

25th Anniversary with Kavilco

Louis Jones, Sr. became
a member of our board of directors
in 1979 and began serving as Vice
President in 1994.

Kavilco thanks him for 25 years of
dedicated service.

1980

Chief Son-I-Hat's Whale House and Totem Park

Chief Sonihat (center, holding cane) and his wife (to his right) with family, at Kasaan, Alaska. Though the date was not recorded, the photograph was taken sometime between 1900 and 1911. Negative #72-483 courtesy of the Smithsonian Institution National Anthropological Archives.

On June 11, 2002 Chief Son-I-Hat's Whale House and Totems Historic District in Kasaan was listed in the National Register of Historic Places. The following is a short history of the Totem Park.

A man and 2 boys standing inside Chief Son-I-Hat's house. The man could be James Peele and the boys his sons. Photo courtesy Manuscripts, Special Collections, University Archives, University of Washington Libraries image #3593.

In 1880 Chief Son-I-Hat, a Yadas chief, built Neyuwens (great house) near Kasaan Bay northwest of New Kasaan and lived there for some time with his family. In 1912 Chief Son-I-Hat died and the Whale House gradually fell into disrepair. By 1938 the walls and roof had caved in. Of the support structure only the two interior carved house-posts and three of the corner posts remained in good condition. The two carved house-posts had been designed to represent "Coon-Ahts who captured the monster Gonaqadate, got into its skin and hunted whales for his mother-in-law." according to Viola Garfield, an anthropologist and native historian who conducted extensive interviews with village members. She also states that the original carving of these two poles had been assigned to brothers, so though each pole is basically the same, each has different, unique details. Also remaining was the center post that Chief Son-I-Hat had

Photo courtesy Manuscripts, Special Collections, University Archives, University of Washington Libraries image #3588.

James Peele standing beside the center totem in what remains of the Whale House in 1938. Photo courtesy Manuscripts, Special Collections, University Archives, University of Washington Libraries image #3574.

brought from his uncle's house after his uncle's death.

In 1933 legislation was passed establishing the Civilian Conservation Corps (CCC), an organization formed as part of Franklin Delano Roosevelt's New Deal, an attempt to counter the rampant unemployment and economic despair resulting from the Great Depression.

In 1938 the U.S. Forest Service began a program aimed at salvaging and reconstructing Totem Poles and some Native structures. By using CCC funds to hire skilled carvers from among the older Natives, two things occurred: 1). the young men in the communities learned the art of carving totem

Ketchikan Museums image #77-6-4-65.

(left to right) Felix Young, Healy Jones, Julius Frank, George Jones, Pete Jones, Robert Young, Robert Jones and Walter Young.

James Peele works on carving the Eagle Pole. Ketchikan Museum image #77-6-4-69.

The Eagle Pole as it stands today.

CCC carvers from left to right Felix Young, Peter Jones, Walter Young and James Peele. Photo courtesy Manuscripts, Special Collections, University Archives, University of Washington Libraries image #3505.

poles thereby preserving that part of Haida heritage and 2). the totems, which had been left to rot in the woods, were either repaired or duplicated, which preserved that part of Haida history. These were lasting bonuses that endured beyond the immediate benefit of employment.

The dorsal fin is missing from this replica of the Chief Skowl's grave marker. This crack is not apparent in any of our other photos.

The CCC representatives obtained permission from James Peele, the son of Chief Son-I-Hat, to restore the Whale House. The families that owned several totem poles in Old Kasaan wanted to have them moved to new Kasaan and repaired or replicated. They signed a contract with the Forest Service whereby the totem poles would be moved from Old Kasaan to New Kasaan and, once they were repaired or replicated the poles would be placed on publically owned land and become community property. In the agreement the owners of the poles stipulated that none would ever be moved to Ketchikan.

The work of reconstructing the Whale House was completed in 1940 and the Totems were erected along a path cut from Kasaan to the East of the Whale House by the workers.

Since 1980 the ears have gone missing and this crack has grown dramatically deeper on this Bear totem. This totem had marked the grave of Thomas Jones in Old Kasaan.

In 1979, when Kavilco received its ANCSA land patent, The Whale House and Totem Park were contained within the those lands.
For the first 20 years of operation Kavilco focused its efforts on maximizing shareholder dividends without diminishing its principal.

In the 1990s though, Board

Looking Northwest, a side view of the Whale House. The weather damage to the smokehole, roof beams and shimgles are all apparent.

Rear roof rafters show signs of extensive moisture and insect damage and have sprouted trees of their own.

The front door has been torn from its frame and now lies on the ground in front of the doorway.

members discussed their concerns about the deterioration of the Whale House they had noticed from year to year during their annual visit to clean the cemetery.

The Board decided that the first step they needed to take to do something about it was to create and register a non-profit corporation in the State of Alaska. The Kasaan Haida Heri-tage Foundation (KHHF) was established in 1999. The Board of Directors of KHHF and Kavilco began researching the best methods of preserving the Whale House and Totems. Obviously funds from Kavilco would not be used since that would reduce the annual shareholder dividends. Grant funds were available, but before KHHF could apply for some of those funds the Whale House and Totem Park would have to be designated a National Historic Place. Louis Thompson offered to research this process and he prepared the forms necessary to complete application for this designation. In June 2002 Kavilco successfully applied to have the Whale House and Totem Park placed on the list of National Historic Places. *(continued)*

The floor boards directly inside the front doorway have been exposed to rain and sun and are showing signs of dry rot.

The base of the post to the inside left of the front door. A great deal of moisture damage, so much so that two floor boards have collapsed because 6-8 inches have rotted away at the wall end. There is a skirt of moss growing on the floor boards around the forward base of the pole.

Looking up and to the rear of the building through the smoke hole from the fire pit level. The uppermost board shown here in the center of the photograph has extensive checking either from moisture damage or insects.

Gaps between the wall boards and missing shingles have caused some moisture damage.

A deteriorated roof rafter end. Moisture damage has given way to a new tree.

Charred remains left in the fire pit. Though not apparent in this photo, there has been some charring of the fire pit framework as well.

Gap in wall board, section of base repaired. Floor boards have rotted.

Right hand side of the base of the post to the inside right of the front door. A discarded chip bag was stuffed into the cavity between the floorboard and the pole base. Moisture damage has rotted the floor board ends completely away and continues to work on the main outer support timbers as well.

An interior view of the front wall and the side door.

Moisture damage to the frame of the fire pit and floor boards underneath the open smoke hole. Moss is growing thick on a 3-4 foot area of the frame timber. The floor board ends are rotting away and crumbling, as has some of the frame timber.

In the Spring of 2003 Kavilco and Kasaan Haida Heritage Foundation sent letters to Senators Lisa Murkowski and Ted Stevens and to Representative Don Young requesting funds to repair and preserve this newly designated historic place. The hope was to appeal to their sense of injustice for the years of neglect by the National Forest Service of Old Kasaan.

In November 2003 we were informed by Senator Lisa Murkowski's staff that our request for Congressional funds was denied.

On March 16, 2004 Kavilco applied for grant funds from National Parks Service Tribal Preservation Program. In early July we were informed that they had received over 100 applications totaling $3.92 million, but they only had $666,747 available in grant funds. Our application was one of those that could not be funded.

We are not discouraged. There are many funding sources out there and we have only applied to two. We will continue our search for funds to preserve this vital

& COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and
Board of Directors of
Kavilco Incorporated
(an investment company)

We have audited the accompanying statement of assets and liabilities of Kavilco Incorporated (an investment company), including the schedule of investments, as of December 31, 2003, and the related statement of operations for the year then ended, and the statements of changes in net assets and the financial highlights for the years ended December 31, 2003 and 2002. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. The financial highlights for each of the three years in the period ended December 31, 2001, were audited by other auditors whose report dated February 15, 2002, expressed an unqualified opinion on that statement and those highlights.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2003, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Kavilco Incorporated as of December 31, 2003, the results of its operations for the year then ended, and the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Anderson Zurmuehlen & Co., P.C.

Seattle, Washington
January 29, 2004

FINANCIAL STATEMENTS

KAVILCO INCORPORATED

(an investment company)

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2003

ASSETS	
Investments in securities, at market value	
(identified cost $33,054,621)	$ 35,385,339
Real estate at fair value	3,588,815
Cash and cash equivalents	99,198
Interest receivable	500,616
Premises and equipment, net	5,200
Prepaid expenses and other assets	14,166
Total assets	39,593,334
LIABILITIES	
Accounts payable and accrued expenses	20,088
Total liabilities	20,088
COMMITMENTS AND CONTINGENCIES	
Net assets	$ 39,573,246
Net assets consist of:	
Unrealized appreciation on	
Investments	$ 2,330,718
Real estate	2,534,726
Contributed capital	34,707,802
Net assets	$ 39,573,246
Net asset value per share of common stock ($39,573,246	
divided by 12,000 shares outstanding)	$ 3,297.77

The Notes to Financial Statements are an integral part of this statement.

KAVILCO INCORPORATED

(an investment company)

SCHEDULE OF INVESTMENTS

December 31, 2003

	Principal amount/shares	Market value
Investments in securities - 89.4% of net assets		
U.S. government securities - 18.7%		
United States Treasury Notes, 7.250% due August 15, 2004	5,000,000	$ 5,189,060
Federal National Mortgage Association, 6.210% due November 7, 2007	1,000,000	1,111,470
Federal National Mortgage Association, 6.150% due December 10, 2007	1,000,000	1,106,641
Total U.S. government securities (cost $6,989,442)		7,407,171
Corporate obligations - 44.4%		
Auto and truck - 2.3%		
Ford Motor Company, 6.625% due February 15, 2028	1,000,000	915,215
Banking - 5.7%		
Chase Manhattan Corp., 7.875% due July 15, 2006	1,000,000	1,124,133
J.P Morgan Chase & Co., 6.500% due January 15, 2009	1,000,000	1,109,731
Beverage (soft drink) - 2.2%		
Coca-Cola Enterprises, 8.500% due February 1, 2012	700,000	865,880
Diversified financial services - 3.0%		
General Electric Cap Corp., 8.500% due July 24, 2008	1,000,000	1,194,041
Electric utility - 3.2%		
Potomac Electric Power Co., 6.500% due March 15, 2008	190,000	211,456
Northern States Power Co., 6.500% due March 1, 2028	1,000,000	1,045,956
Entertainment - 0.8%		
Walt Disney Company, 5.800% due October 27, 2008	290,000	314,278
Finance - auto loans - 2.2%		
General Motors Acceptance Corp., 6.625% due October 15, 2005	827,000	880,403
Financial services - 2.6%		
Marsh & McLennan Co., 6.625% due June 15, 2004	1,000,000	1,023,001
Food processing - 3.6%		
Heinz Corp., 6.000% due March 15, 2008	229,000	251,282
Hershey Foods, 6.950% due August 15, 2012	1,000,000	1,157,937
Petroleum (integrated) - 2.6%		
Texaco Capital, Inc., 5.700% due December 1, 2008	975,000	1,034,285
Retail store - 3.2%		
Wal-Mart Stores, 6.875% due August 10, 2009	1,000,000	1,149,520
Dayton Hudson, 8.600% due January 15, 2012	100,000	126,301
Securities brokerage - 8.9%		
Bear Stearns Co., Inc., 6.150% due March 2, 2004	172,000	173,304
Paine Webber Group, Inc., 8.875% due March 15, 2005	1,000,000	1,071,567
Merrill Lynch & Co., 6.375% due October 15, 2008	1,000,000	1,117,583
Bear Stearns Co., Inc., 7.625% due December 7, 2009	1,000,000	1,178,073
Telecommunication services - 4.1%		
Pacific Bell, 6.125% due February 15, 2008	1,000,000	1,093,054
GTE Corp., 6.460% due April 15, 2008	500,000	548,815
Total corporate obligations (cost $15,771,482)		17,585,815
Common stock - 0.6%		
Technology - 0.4%		
Microsoft Corp.	5,440	148,893
Drug industry - 0.05%		
Merck & Co, Inc.	550	25,410
Gold/Silver mining - 0.1%		
Barrick Gold	1,200	27,252
Newmont Mining	500	24,305
Real estate investment trust - 0.05%		
First Industrial Realty Trust	700	23,625
Total common stock (cost $150,829)		249,485
Short-term investments - 25.7%		
Prime Obligation Funds	10,142,868	10,142,868
Total short-term investments (cost $10,142,868)		10,142,868
Total investments in securities (identified cost $33,054,621)		$ 35,385,339

The Notes to Financial Statements are an integral part of this statement.

KAVILCO INCORPORATED
(an investment company)
STATEMENT OF OPERATIONS
Year Ended December 31, 2003

Investment income	
Interest	$ 1,962,258
Dividends from money market fund	51,862
Dividends	1,810
Total investment income	2,015,930
Expenses	
Salaries and benefits	299,292
Directors' compensation and expenses	239,184
Legal and accounting	18,758
Custodian	11,788
Insurance expense	66,042
Office and equipment leases	77,020
General and administrative	62,156
Total expenses	774,240
Net investment income	1,241,690
Realized and unrealized gain on investments	
Net realized gain on investments	235,174
Net decrease in unrealized appreciation on investments	(11,017)
Net realized and unrealized gain on investments	224,157
Net operating income	1,465,847
Other income	34,129
Net increase in net assets resulting from operations	$ 1,499,976

The Notes to Financial Statements are an integral part of this statement.

KAVILCO INCORPORATED

(an investment company)

STATEMENTS OF CHANGES IN NET ASSETS

Years Ended December 31, 2003 and 2002

	2003	2002
Increase (decrease) in net assets from operations		
Net investment income	**$ 1,241,690**	$ 1,484,381
Net realized gain on investments	**235,174**	130,140
Net increase (decrease) in unrealized appreciation	**(11,017)**	468,842
Net other income	**34,129**	185,854
Net increase in net assets resulting from operations	**1,499,976**	2,269,217
Dividends and distributions		
Net investment income	**(1,380,697)**	(1,403,937)
Net realized gain on investments	**(235,174)**	(130,140)
Net other income	**(34,129)**	(229,923)
	(1,650,000)	(1,764,000)
Total increase (decrease) in net assets	**(150,024)**	505,217
Net assets		
Beginning of year	**39,723,270**	39,218,053
End of year (including undistributed net investment income of $0 and $74,516, respectively)	**$ 39,573,246**	$ 39,723,270

The Notes to Financial Statements are an integral part of these statements.

KAVILCO INCORPORATED

(an investment company)

FINANCIAL HIGHLIGHTS

Years Ended December 31, 1999 to 2003

Per share operating performance (for a share of capital stock outstanding throughout the period):

	2003	2002	2001	2000	1999
Net asset value, beginning of year	**$ 3,310.27**	$3,268.17	$3,203.96	$2,901.74	$3,123.38
Income from investment operations					
Net investment income	**103.48**	123.70	150.06	150.10	157.47
Net realized and unrealized gain (loss)	**18.68**	49.91	70.41	300.65	(212.90)
Net other income	**2.84**	15.49	4.74	3.47	2.72
Total from investment operations	**125.00**	189.10	225.21	454.22	(52.71)
Less dividends and distributions from					
Net investment income	**(115.06)**	(116.99)	(159.93)	(144.40)	(157.47)
Net realized gain on investments	**(19.60)**	(10.85)	-	(4.13)	(8.10)
Net other income	**(2.84)**	(19.16)	(1.07)	(3.47)	(2.72)
Return of capital	**-**	-	-	-	(0.64)
Total distributions	**(137.50)**	(147.00)	(161.00)	(152.00)	(168.93)
Net asset value, end of year	**$ 3,297.77**	$3,310.27	$3,268.17	$3,203.96	$2,901.74
Total return (%)	**3.78**	5.79	7.54	16.05 *	(1.42)
Ratios/supplemental data					
Net assets, end of year (in thousands) ($)	**39,573**	39,723	39,218	38,447	34,821
Ratio to average net assets (%)					
Expenses	**1.92**	1.88	1.78	1.88	1.85
Net investment income	**3.08**	3.75	4.54	5.07	5.41
Portfolio turnover rate (%)	**56.7**	9.6	3.0	27.6	0.2

* 8.40% of 16.05% is a result of unrealized appreciation on real estate.

The Notes to Financial Statements are an integral part of these statements.

KAVILCO INCORPORATED
(an investment company)
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE 1. ORGANIZATION

Kavilco Incorporated (the Company) is a village corporation within the Sealaska region organized pursuant to the Alaska Native Claims Settlement Act ("ANCSA"). Contributed capital includes receipts from the U.S. government and the state of Alaska under provisions of ANCSA.

Under Section 12(a) of ANCSA, on December 5, 1979 the Company received entitlement to the surface estate of real property totaling approximately 23,055 acres. In 1987, 194 acres of the Company's real property were distributed to the shareholders, and the timber rights on the remaining 22,861 acres were sold. However, the Company retains all other rights to the surface estate of the real property. The sale of the timber rights contract expired in December 2001, and the timber rights reverted back to the Company. However, at that time, there were no stands of economically viable timber remaining on the property. Since selling the timber rights, the Company has derived the majority of its income from investments.

On November 1, 1989, the Company began to operate as a self-managed, closed-end management investment company, as defined by the Investment Company Act of 1940 (the "Act"). The Company is subject to various restrictions imposed by the Act and the Internal Revenue Code, including restrictions on borrowing, dividend and distribution policies, operations and reporting requirements. The Company's investment decisions, which focus primarily on fixed income investments, are made by management under the direction of the Board of Directors.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for investment companies. The following is a summary of the significant accounting policies consistently followed by the Company in the preparation of these financial statements.

Security Valuation:
Investments in securities consist primarily of U.S. government securities, corporate obligations and common stock. Investments in securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price.

Investment Transactions:
Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the basis of identified cost.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Income:
Interest income is recorded on an accrual basis as adjusted for the amortization of discounts and premiums using the effective interest method. Premiums and discounts, including original issue discounts, are amortized for both tax and financial reporting purposes. Dividend income is recorded as of the ex-dividend date.

Real Estate:
Real estate is carried at fair value as determined in good faith by the board of directors. Real estate represents entitlement to the surface estate of real property described in Note 1, for which no readily available market quotation exists. The real estate was initially recorded by the Company at its appraised value at the date of conveyance ($934,089). In addition, during the year 2002, the Company received an additional 89.24 acres in the process of closing out the timber sale contract, in payment of a past due rent obligation that was owed to the Company. The board of directors engaged a Certified Forester (the "Forester") to provide an estimate of the value of the real property. The value of this additional land was estimated by the Forester to be $120,000 for a total cost basis of $1,054,089. In order to estimate the fair value of this real property, the board of directors has considered such relevant factors as the lack of commercially viable timber due to previous harvest, amount of capital expenditures required for the future growth of timber, location of the property, recent sales of similar real property in the region and market demand and supply for this type of real property during the valuation process. The board of directors estimated the fair value of this real property at December 31, 2003 to be $3,588,815 on the basis of good faith consideration of both the aforementioned pertinent factors and the analysis performed by the Forester. Based on the inherent uncertainty of valuation, however, this estimated value may differ significantly from the value that would have been used had a ready market for the real property existed, and the difference could be material.

Federal Income Taxes:
The Company's policy is to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all of its net investment taxable income to its shareholders. Therefore, no federal income tax provision is required for the Company.

Dividends and Distributions to Shareholders:
Dividends and distributions to shareholders are recorded on payable date. Dividends are generally declared and paid twice a year. Capital gain distributions are generally declared and paid annually. The timing and characterization of certain income and capital gains distributions are determined in accordance with federal tax regulations and may differ from those determined in accordance with accounting principles generally accepted in the United States of America.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates:
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

NOTE 3. INVESTMENTS

Purchases of investment securities (consisting of U.S. government securities and common stock) aggregated $17,657,896 for the year ended December 31, 2003, and sales and maturities of investment securities (consisting of U.S. government securities and corporate obligations) aggregated $23,753,899 for the year ended December 31, 2003.

NOTE 4. PREMISES AND EQUIPMENT

Buildings and equipment are recorded at cost less accumulated depreciation. Depreciation is computed generally on the straight-line method over the estimated useful lives of the related assets, which range from 5 to 15 years. Depreciation expense was $6,335 for the year ended December 31, 2003.

Building	$154,369
Furniture, fixtures, and equipment	94,908
	249,277
Less accumulated depreciation	(244,077)
	$ 5,200

NOTE 5. LEASE OBLIGATION

The Company leases office space under a non-cancelable operating lease agreement, which terminates September 30, 2008. Rent expense for the year ended December 31, 2003 was $50,613, which includes $45,681 for office rent, with the balance consisting mostly of parking rent and storage rent. Rent expense has been included in the general and administrative expenses.

At December 31, 2003, future minimum lease commitments under the non-cancelable operating lease are approximately as follows:

2004	$ 29,700
2005	29,700
2006	29,700
2007	29,700
2008	22,200
	$141,000

NOTE 6. NET ASSETS

The Company's capital structure is as follows:

Common stock
Class A, no par value - Authorized, 1,000,000 shares;
issued and outstanding, 11,576.83 shares
Class B, no par value - Authorized, 500,000 shares;
issued and outstanding, 423.17 shares

Upon organization, 100 shares of common stock (Class A) were issued to each qualified shareholder enrolled in the Company pursuant to ANCSA. The Company utilized a roll comprising 120 Alaska natives eligible to receive stock certificates as certified by the U.S. Secretary of the Interior. Under the provisions of ANCSA, stock dividends paid or other stock grants are restricted, and the stock may not be sold, pledged, assigned, or otherwise alienated, except in certain circumstances by court decree or death, unless approved by a majority of the shareholders. (Before the Company's stock may be publicly traded, it must amend its Articles of Incorporation.) The stock carries voting rights only if the holder hereof is an eligible Alaska Native. Nonvoting common stock (Class B) is issued to non-Native persons who inherit stock.

NOTE 6. NET ASSETS (CONTINUED)

The following reclassifications have been made to reflect activity for the year ended December 31, 2003:

Undistributed net investment income	Accumulated net realized gain	Contributed capital
64,491	-	(64,491)

NOTE 7. TAX BASIS OF DISTRIBUTABLE INCOME

At December 31, 2003, there was no undistributed ordinary income for tax purposes. During the year ended December 31, 2003, $1,622,070 of the Company's distributions comprised ordinary income, and $27,930 were considered long-term capital gains.

The tax cost of investments is the same as for financial reporting purposes. The gross unrealized appreciation and gross unrealized depreciation on a tax basis is $2,403,364 and $72,646, respectively.

NOTE 8. PENSION PLAN

Employees of the Company are covered by a defined contribution pension plan. The Company contributes 20% of each participant's compensation to the plan. The Company's contributions during the year ended December 31, 2003 totaled $49,882.

This page is dedicated to the memory of Original Shareholders who have passed on.

Henry L. Abbott
Florence A. Adams
Vincent W. Baronovich
Pauline E. Blackstad
Roberta M. Campbell
Christian L. Coburn
John J. Cook
M. Helen Dailey
Dorothy Evener
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Walter B. Young, Jr.
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Current photos of Whale House and totems taken by Charisse Dwyer.

Annual Report created by Charisse Dwyer, Corporate Secretary

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