

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

As at March 31

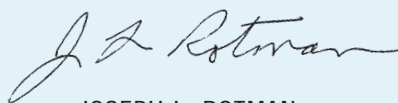
\$000'S	2001	2000
ASSETS		
Cash and cash equivalents (Note 3)	\$ 7,829	\$ 3,709
Short-term investments (Note 4)	16,616	20,680
Cash held in escrow (Note 5)	-	24,000
Accounts receivable and other assets (Note 9a)	1,541	1,342
Corporate investments (Note 6)	129,164	114,007
	\$ 155,150	\$ 163,738
LIABILITIES		
Accounts payable	\$ 1,624	\$ 1,630
Future income taxes (Note 10)	5,193	10,189
	6,817	11,819
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	95,652	95,652
Retained earnings	52,681	56,267
	148,333	151,919
	\$ 155,150	\$ 163,738

(see accompanying notes to consolidated financial statements)

On behalf of the Board:



GERALD R. HEFFERNAN
Director



JOSEPH L. ROTMAN
Director

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

For the years ended March 31

\$000'S (except per share information)	2001	2000
NET INVESTMENT GAINS (LOSSES)		
Realized gains on investments (net)	\$ -	\$ 20,721
Previously recognized unrealized gains (Note 2e)	-	(18,849)
Unrealized gains (losses) on investments (net)	(9,725)	5,848
	(9,725)	7,720
OTHER INVESTMENT INCOME		
Interest income (Note 9b)	2,173	1,991
Dividend income (Note 9b)	2,572	-
Advisory and other fees (Note 9b)	3,717	1,143
	8,462	3,134
Administration and other expenses (Note 9c)	4,002	5,307
Income (loss) before income taxes	(5,265)	5,547
Recovery of income taxes (Note 10)	(3,549)	(3,056)
Net income (loss)	\$ (1,716)	\$ 8,603
Net income (loss) per share	\$ (0.09)	\$ 0.46
Fully diluted net income (loss) per share	\$ (0.09)	\$ 0.42

(see accompanying notes to consolidated financial statements)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended March 31

\$000'S	2001	2000
Retained earnings, beginning of year	\$ 56,267	\$ 49,534
Net income (loss)	(1,716)	8,603
	54,551	58,137
Dividends	(1,870)	(1,870)
Retained earnings, end of year	\$ 52,681	\$ 56,267

(see accompanying notes to consolidated financial statements)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31

\$000'S	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (1,716)	\$ 8,603
Add (deduct) items not involving a current cash outlay		
Amortization	59	47
Future income taxes	(4,996)	(3,173)
Realized gains on investments (net)	-	(20,721)
Previously recognized unrealized gains	-	18,849
Unrealized losses (gains) on investments (net)	9,725	(5,848)
Non-cash income relating to corporate investments	(683)	(1,218)
	2,389	(3,461)
Net change in non-cash working capital balances related to operations	18	(3,699)
	2,407	(7,160)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends	(1,870)	(1,870)
	(1,870)	(1,870)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term investments	4,064	(20,680)
Cash held in escrow (Note 5)	-	(24,000)
Acquisition of corporate investments	(2,102)	(2,365)
Proceeds on sale of corporate investments	-	55,428
Proceeds (payments) on realization of foreign exchange forward contracts	1,828	(583)
Return of capital from corporate investments	75	260
Purchase of other assets	(282)	-
	3,583	8,060
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,120	(970)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,709	4,679
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,829	\$ 3,709
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash taxes paid	\$ 792	\$ (92)
Cash interest paid	\$ -	\$ 103

(see accompanying notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2001 and 2000 (tabular dollar amounts in thousands)

1. NATURE OF ACTIVITIES

Clairvest Group Inc. ("Clairvest" or the "Company") is a publicly-traded Canadian merchant bank. The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. Clairvest contributes financing and strategic expertise to support the growth and development of its corporate investments in order to create realizable value for all shareholders. Clairvest is incorporated under the laws of the Province of Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Company:

(A) PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries that exist for investing and financing purposes. All significant intercompany amounts and transactions have been eliminated upon consolidation.

(B) CORPORATE INVESTMENTS

(i) Publicly-traded investments

Securities which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at carrying values based on quoted market prices at the balance sheet dates or the closing price on the last day the security traded if there were no trades at the balance sheet dates.

Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments.

(ii) Privately-held investments

Securities in privately-held companies are recorded at cost unless an upward adjustment is considered appropriate and supported by persuasive and objective evidence such as a significant subsequent equity financing by an unrelated, professional investor at a transaction price higher than the Company's carrying value. Downward adjustments to carrying value are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on operational results, forecasts, financing and other developments since acquisition.

(iii) Other investment instruments

Included in Clairvest's corporate investments are certain instruments which are accounted for as follows:

- Loans are valued at the lesser of their discounted cash flow or the fair value of the underlying collateral.
- Convertible debentures and convertible notes are valued at the greater of their loan value amount as described above or as though converted to common shares.
- Options and warrants are valued at the difference between the exercise price and the quoted market price.
- Cumulative dividends not yet received are included in the carrying value of the investment.

At each financial reporting period, the Company's management determines the valuation of investments based on the criteria above and reflects such valuations as corporate investments in the consolidated financial statements. The resulting values may differ from values that would be realized had a ready market existed. The amounts at which Clairvest's privately-held investments could be disposed of currently may differ from the carrying value assigned as a substantial period of time may have elapsed since the latest third party equity financing. The amounts at which Clairvest's publicly-traded investments could be disposed of currently may differ from carrying value based on market quotes as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

(C) SHORT-TERM INVESTMENTS

Short-term investments are carried at the lower of cost and estimated market value.

(D) FOREIGN CURRENCY TRANSLATION

The carrying value of foreign investments have been translated into Canadian dollars at the balance sheet date rates of exchange together with the effect of any foreign exchange forward contract hedge thereon. The cost of foreign investments is the cost thereof translated into Canadian dollars at the rate of exchange prevailing at the time of purchase.

(E) INCOME RECOGNITION

Realized gains or losses on disposition of investments and unrealized gains or losses in the value of investments are reflected in the consolidated statements of income. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed. Dividend income is recorded on the ex-dividend date.

(F) INCOME TAXES

In fiscal 2000, the Company changed its method of accounting for income taxes from the deferral method to the liability method of tax allocation as recommended by The Canadian Institute of Chartered Accountants' Section 3465, *Accounting for Income Taxes*. Under the liability method, income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates which are expected to be in effect when the asset or liability is settled. As permitted under the new rules, the March 31, 1999 consolidated financial statements have not been restated. There was no material impact on the fiscal 2000 consolidated financial statements or on the opening retained earnings for fiscal 2000 as a result of the application of the new standard.

(G) STOCK-BASED COMPENSATION PLAN

The Company has a stock option plan. No compensation expense is recognized for this plan when stock options are issued. Any consideration paid by employees on exercise of stock options is credited to share capital.

(H) EARNINGS PER SHARE

Basic earnings per share is determined by dividing net income by the weighted-average number of common shares outstanding at the year-end. Fully diluted earnings per share assumes that outstanding dilutive securities including options were exercised at the later of the beginning of the year or date of grant, and the funds derived therefrom were invested at the Company's annual after-tax cost of financing.

(I) ESTIMATES

The preparation of the consolidated 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 the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. CASH EQUIVALENTS

Cash equivalents comprise only highly liquid investments with maturities of less than ninety days from the date of acquisition. Cash equivalents are comprised of money market funds and bankers' acceptances. Cash equivalents have realizable values which approximate the carrying values due to their short-term nature.

4. SHORT-TERM INVESTMENTS

Short-term investments have maturities between 90 days and one year and are comprised of high quality corporate notes and debentures. The yield on these investments ranges between 5.7% and 8.0% (2000 – between 5.8% and 8.2%) with a weighted average yield thereon of 6.4% (2000 – 7.3%). Short-term investments have realizable values which approximate the carrying values due to their short-term nature.

5. CASH HELD IN ESCROW

During fiscal 2000, Clairvest entered into an agreement to invest \$24.0 million for a 28.4% interest in Gateway Casinos Inc. ("Gateway Casinos"). Clairvest's investment was held in escrow pending regulatory approval of the investment. The cash held in escrow was non-interest-bearing. Regulatory approval was received in fiscal 2001. During fiscal 2001, the cash that was previously held in escrow was accounted for as an investment in Gateway (see note 6).

6. CORPORATE INVESTMENTS

	2001			2000		
	Carrying Value	Cost	Difference	Carrying Value	Cost	Difference
Investments in publicly-traded companies						
Datamark Systems Group Inc.	\$ 8,931	\$ 14,421	\$ (5,490)	\$ 13,569	\$ 14,421	\$ (852)
HealthCentral.com/Vitamins.com	401	9,053	(8,652)	10,349	9,053	1,296
Voxcom Incorporated	7,701	6,289	1,412	9,322	6,289	3,033
	17,033	29,763	(12,730)	33,240	29,763	3,477
Investments in privately-held companies						
Clairvest-Yorkton Transition Capital Fund L.P.	3,082	1,493	1,589	-	-	-
Consolidated Vendors Corporation	8,221	6,625	1,596	6,303	6,166	137
Gateway Casinos Inc.	24,000	24,000	-	-	-	-
NRI Industries Inc.	24,052	17,613	6,439	22,884	17,688	5,196
Signature Security Group Holdings Pty. Limited	20,401	20,401	-	31,938	20,401	11,537
Sparkling Spring Water Holdings Limited	31,850	5,889	25,961	19,267	5,889	13,378
	111,606	76,021	35,585	80,392	50,144	30,248
Other investments	525	525	-	375	375	-
	\$ 129,164	\$ 106,309	\$ 22,855	\$ 114,007	\$ 80,282	\$ 33,725

DATAMARK SYSTEMS GROUP INC. ("DATAMARK")

Datamark is a business document management company with operations in Canada and the United States. At March 31, 2001 Clairvest owned 4,675,670 (2000 – 4,675,670) common shares of Datamark, representing a 36.7% (2000 – 36.7%) interest on a fully diluted basis.

Clairvest also holds 20,000 options to acquire Datamark shares at \$2.02 (2000 – \$2.43) per share. These options vest over 5 years from the grant date, being October 1999.

The shares in Datamark are carried at the quoted market price at March 31, 2001 and 2000. Since the inception of the investment, Clairvest has received a total of \$10.5 million in cash dividends, which have been accounted for as income. Subsequent to March 31, 2001, Clairvest received a further \$935,000 in dividends from Datamark.

HEALTHCENTRAL.COM/VITAMINS.COM

HealthCentral.com is a leading e-commerce provider of healthcare products and content. At March 31, 2001, Clairvest owned 3,208,786 common shares in HealthCentral.com, representing a 6.3% ownership interest on a fully diluted basis.

At March 31, 2000, Clairvest owned 3,056,331 common shares and 5,235,106 Series B convertible preferred shares in Vitamins.com, representing a 14.1% ownership interest on a fully diluted basis. During fiscal 2001, Vitamins.com was sold to HealthCentral.com in a share exchange transaction, in which Clairvest received the 3,208,786 common shares in HealthCentral.com.

The common shares in HealthCentral.com are carried at the quoted market price at March 31, 2001. The common shares in Vitamins.com were carried at US\$0.80 per share and the Series B preferred shares at US\$0.90 per share at March 31, 2000 based on a third party equity financing completed during fiscal 2000, and converted to Canadian dollars, after giving effect to the related foreign exchange forward contract hedge thereon (see note 11b).

VOXCOM INCORPORATED (“VOXCOM”)

Voxcom is an Edmonton based electronic security alarm monitoring company operating throughout Canada. At March 31, 2001 Clairvest owned 230,000 (2000 – 230,000) common shares and \$5.0 million (2000 – \$5.0 million) of convertible debentures which are due July 18, 2001. \$3.0 million of convertible debentures bear interest at 8% per annum, and the remaining \$2.0 million of convertible debentures bore interest at 8% per annum until December 20, 2000, and became non-interest bearing subsequent to December 20, 2000. The debentures, together with accrued interest thereon, are convertible into 2.0 million common shares at March 31, 2001 (2000 – 1.8 million). If the debentures were converted, Clairvest would own 27.4% (2000 – 26.2%) on a fully diluted basis.

Clairvest also holds 10,000 (2000 – 10,000) options to acquire Voxcom shares at \$3.25 per share. These options vested January 1997. Clairvest also participates in an additional 10,000 options to the extent that \$3.25 is exceeded by the lesser of (i) the market value of the shares at the time the options are exercised and (ii) \$7.45 per share.

Clairvest carries its investment in Voxcom at the quoted market price at March 31, 2001 and 2000 based on the common shares Clairvest would own assuming conversion of the debentures.

CLAIRVEST-YORKTON TRANSITION CAPITAL FUND L.P. (“THE BRIDGE FUND”)

The Bridge Fund provides bridge financing to growth companies in the technology and health sciences industries prior to larger, more permanent financings. Clairvest has committed to fund \$5.0 million to the Bridge Fund, \$1.5 million of which was funded at March 31, 2001. Clairvest's commitment represents a 71.4% interest in the Bridge Fund.

Clairvest carries its investment in the Bridge Fund at the underlying value of the loans and warrants held by the Bridge Fund.

CONSOLIDATED VENDORS CORPORATION (“CONSOLIDATED VENDORS”)

Consolidated Vendors is a leading independent vending operator in the US Midwest. At March 31, 2001 Clairvest owned 35,000 (2000 – 35,000), 10% Convertible Class A preferred shares and 2,813 (2000 – nil) common shares in Consolidated Vendors. The Class A preferred shares are convertible into 21,511 (2000 – 21,511) common shares.

At March 31, 2001, Clairvest also held a US\$500,000 (2000 – US\$500,000) subordinated debenture in Consolidated Vendors. The debenture bears interest at 20% and the debenture and interest are due on September 21, 2001. Clairvest's ownership on a fully diluted basis was 57.9% (2000 – 51.5%) at March 31, 2001.

The shares in Consolidated Vendors are carried at cost and converted to Canadian dollars, after giving effect to the related foreign exchange forward contract hedge thereon (see note 11b). Cumulative dividends are included in the carrying value of these shares.

GATEWAY CASINOS INC. (“GATEWAY CASINOS”)

Gateway Casinos is a gaming management company operating in Western Canada. At March 31, 2001 Clairvest owned 6.0 million common shares in Gateway Casinos, representing a 28.4% interest on a fully diluted basis. The shares in Gateway Casinos are carried at cost at March 31, 2001.

At March 31, 2000, Clairvest's investment in Gateway Casinos was held in escrow pending regulatory approval of the investment (see note 5).

NRI INDUSTRIES INC. (“NRI”)

NRI is the North American leader in converting tire-derived waste rubber into value-added manufactured products. At March 31, 2001 and March 31, 2000 Clairvest owned 6.0 million Class A preferred shares, 2.0 million Class D preferred shares, 4.5 million Class E preferred shares and 86,000 common shares of NRI. Clairvest also holds options to acquire an additional 8,000 common shares of NRI from another shareholder, exercisable for US\$2.8 million, until June 3, 2002. Clairvest's ownership on a fully diluted basis at March 31, 2001 was 90.5% (2000 – 90.5%).

The Class A preferred shares bear a cumulative dividend rate of 6.5% per annum commencing September 1, 1998 and are redeemable at \$1 per share. The Class D preferred shares bear a cumulative dividend rate of 6.5% per annum commencing September 1, 1998, and are redeemable at US\$1 per share. The Class E preferred shares bore a cumulative dividend of \$0.06 per share per annum commencing March 31, 1996 until August 31, 1998, and at the rate of 6.5% per annum thereafter. The Class E preferred shares are redeemable at \$1 per share.

The common shares of NRI are carried at cost. The Class A, Class D and Class E preferred shares are carried at their redemption values, with the redemption value of the Class D preferred shares being converted at the foreign exchange rate in effect at March 31, 2001 and 2000. Cumulative dividends on the Class A, Class D and Class E preferred shares are included in the carrying value of these shares.

SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED (“SIGNATURE”)

Signature is one of the largest electronic security companies serving Australia and New Zealand. At March 31, 2001 Clairvest owned 274,758 (2000 – 274,758) ordinary shares in Signature, through its wholly-owned subsidiary, Clairvest Group International (Netherlands) B.V. Clairvest’s indirect ownership on a fully diluted basis at March 31, 2001 was 33.8% (2000 – 33.8%).

The ordinary shares are carried at AUS\$125 per share based on a third party equity financing, converted to Canadian dollars, after giving effect to the related foreign exchange forward contract hedge thereon (see note 11b), and net of a \$7.4 million reserve against the value of the investment, bringing carrying value back down to the cost of the investment.

SPARKLING SPRING WATER HOLDINGS LIMITED (“SPARKLING SPRING”)

Sparkling Spring is a purified water distribution company operating in Canada, the United States and the United Kingdom. After giving effect of a 4:1 stock split during fiscal 2001, at March 31, 2000 Clairvest owned 1,719,680 common shares in Sparkling Spring. At March 31, 2001 Clairvest owned 1,719,680 common shares. Clairvest also holds 26,920 (2000 – 26,920) warrants to acquire 26,920 (2000 – 26,920) common shares at US\$7.73 (2000 – US\$7.73) per share. Clairvest’s ownership on a fully diluted basis at March 31, 2001 was 24.2% (2000 – 26.8%).

The shares in Sparkling Spring are carried at US\$11.69 per share based on a third party equity financing completed in fiscal 2001. At March 31, 2000 the shares were carried at US\$7.73 per share based on a third party equity financing completed in fiscal 2000.

7. BANKING FACILITY

The Company has a \$20 million line of credit available, bearing interest at prime plus 0.5% per annum. The facility is renewed annually on October 31 of each year. The prime rate at March 31, 2001 was 6.75% (2000 – 7.0%). The Company had not drawn down any amount on its line at March 31, 2001 or March 31, 2000 (see note 12a).

8. SHARE CAPITAL

Authorized

Unlimited number of preference shares issuable in series, with the designation, rights, privileges, restrictions and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series.

Unlimited number of common shares.

Issued and outstanding	2001	2000
Common shares – 18,697,590	\$ 95,652	\$ 95,652

The weighted average number of common shares outstanding during fiscal 2001 was 18,697,590 (2000 – 18,697,590).

Under the Company’s stock option plan, 1,698,150 common shares of the Company have been reserved for issuance to eligible participants. Under the plan, options are exercisable for one common share and the exercise price of the option must equal the market price of the underlying share on the day preceding the grant date.

Options granted vest immediately or over a period not to exceed eight years. Once vested, options are exercisable at any time until their expiry ten years after the grant date.

A summary of the status of the Company’s stock option plan at March 31, 2001 and 2000 and changes during the years ending on those dates is presented below:

	Number of options	Weighted average exercise price per share
Options outstanding, March 31, 1999	1,618,000	\$ 6.91
Options granted	86,000	5.85
Options cancelled	(52,500)	8.21
Options outstanding, March 31, 2000	1,651,500	6.81
Options granted	97,500	4.38
Options cancelled	(75,000)	5.00
Options outstanding, March 31, 2001	1,674,000	\$ 6.75
Options exercisable, March 31, 2001	1,143,400	\$ 6.69

The following table summarizes information about stock options outstanding at March 31, 2001:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding at March 31, 2001	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2001	Weighted average exercise price
\$4.00 to \$4.99	97,500	9.3 years	\$ 4.38	–	\$ –
\$5.00 to \$5.99	461,000	3.4 years	5.16	400,200	5.05
\$6.00 to \$6.99	20,000	3.7 years	6.69	20,000	6.69
\$7.00 to \$7.99	875,000	5.3 years	7.39	623,000	7.42
\$8.00 to \$8.99	220,500	7.1 years	8.57	100,200	8.60
	1,674,000			1,143,400	

9. RELATED PARTY TRANSACTIONS

(A) Share purchase loans made to certain officers of the Company totalling \$669,000 (2000 – \$662,000) are included in accounts receivable and other assets. The loans bear interest fixed at either 4% or the prime rate on the date of drawdown less 1%, interest is paid annually, and the loans have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of \$443,000 (2000 – \$511,000). Also included in accounts receivable and other assets are receivables from Clairvest's corporate investments totalling \$405,000 (2000 – \$366,000).

(B) During fiscal 2001 Clairvest entered into a Management Agreement with the General Partner of Clairvest Equity Partners Limited Partnership ("CEP"), appointing Clairvest as the Manager of CEP. Included in advisory and other fees is a management fee paid to Clairvest as compensation for its services in the administration of the portfolio of CEP in the amount of \$173,000 (2000 – nil).

During fiscal 2001 Clairvest received \$627,000 (2000 – \$1,267,000) in interest, \$2,572,000 (2000 – nil) in dividends and \$3,537,000 (2000 – \$1,143,000) in advisory and other fees from its corporate investments.

(C) Included in administration and other expenses are fees in respect of certain office and overhead expenses in an aggregate amount of \$320,000 (2000 – \$410,000) paid to a company controlled by certain shareholders of the Company.

10. INCOME TAXES

Recovery of income taxes consists of the following:

	2001	2000
Current income tax expense	\$ 1,447	\$ 117
Future income tax recovery relating to origination and reversal of temporary differences	(2,854)	(3,583)
Increase in future income tax expense arising from previously recognized loss carryforwards currently utilized	–	1,519
Future income tax recovery resulting from rate change	(2,142)	(1,109)
Recovery of income taxes	\$ (3,549)	\$ (3,056)

A reconciliation of the recovery of income taxes based on the statutory rate in Canada and the effective rate is as follows:

	2001	2000
Income (loss) before income taxes	\$ (5,265)	\$ 5,547
Statutory Canadian income tax rate	43.3%	45.0%
Statutory Canadian income taxes	(2,280)	2,496
Non-taxable dividends received	(1,114)	–
Non-taxable portion of net investment losses (gains)	1,966	(3,877)
Benefit of tax losses	–	(724)
Expenses not deductible for tax purposes	21	158
Future income tax recovery resulting from rate change	(2,142)	(1,109)
	\$ (3,549)	\$ (3,056)

The future tax liability relates primarily to the temporary differences on corporate investments.

11. FINANCIAL INSTRUMENTS

(A) FAIR VALUE OF FINANCIAL STATEMENTS

Cash and cash equivalents, short-term investments, cash held in escrow, accounts receivable and other assets and accounts payable have fair values which equal their carrying values.

The corporate investments are being carried in accordance with the Company's accounting policy contained in note 2.

(B) FOREIGN EXCHANGE FORWARD CONTRACTS

As at March 31, 2001 the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

- (i) Forward contracts to sell AUS\$19.0 million (2000 – AUS\$19.0 million) at rates of Canadian \$0.7716 to \$0.8852 per Australian dollar through March 2002 (average rate of \$0.8370, 2000 average rate of \$0.9604). The fair value of these contracts at March 31, 2000 is \$1.4 million (2000 – \$1.5 million); and
- (ii) Forward contracts to sell US\$5.7 million (2000 – US\$6.9 million) at rates of Canadian \$1.4618 to \$1.5335 per US dollar through February 2002 (average rate of \$1.5018, 2000 average rate of \$1.4471). The fair value of these contracts at March 31, 2001 is (\$1.2 million) (2000 – (\$12,000)).

The credit risk on derivative financial instruments, cash and cash equivalents and short-term investments is the risk of a financial loss occurring as a result of default of a counter-party on its obligation to the Company. Clairvest mitigates this risk by contracting only with Schedule 1 Canadian chartered banks.

12. SUBSEQUENT EVENTS

- (A) Subsequent to March 31, 2001 Clairvest entered into an agreement to guarantee up to \$7.5 million of Voxcom's obligations to its lending syndicate by way of a letter of credit. As of May 25, 2001 Clairvest had guaranteed \$2.0 million of Voxcom's obligations as part of this agreement. Clairvest's own line of credit is decreased by the portion of the guarantee which is drawn down. As consideration for the guarantee, Clairvest received (i) five year warrants to acquire up to 1,898,734 common shares of Voxcom at a strike price of \$3.95 per share; (ii) an option to acquire 200,000 common shares of Voxcom for a period of five years at an exercise price equal to the 20 day weighted-average trading price of Voxcom's shares ending May 31, 2001 and (iii) a guarantee fee.
- (B) Subsequent to March 31, 2001 Clairvest invested \$2.2 million in Allied Global Holdings Inc., a leading international accounts receivable management company. Clairvest acquired 22,293 10% convertible preferred shares, representing a 7.2% ownership interest on a fully diluted basis. Clairvest and CEP have a combined 22.6% ownership interest on a fully diluted basis.

13. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2001 consolidated financial statements.

MANAGEMENT'S REPORT

All information in this Annual Report is the responsibility of management. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains systems of internal accounting control designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized and that financial records are properly maintained to facilitate the preparation of financial statements in a timely manner.

Independent chartered accountants, appointed as auditors by the shareholders, have audited the consolidated financial statements and their report is included herewith.

The Audit Committee of the Board of Directors, comprised of three non-management Directors, has reviewed the consolidated financial statements with management and the independent auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



B. JEFFREY PARR

Co-Chief Executive Officer and Managing Director



LANA REIKEN C.A.

Vice-President Finance and Corporate Secretary

AUDITORS' REPORT

To the Shareholders of Clairvest Group Inc.

We have audited the consolidated balance sheets of Clairvest Group Inc. as at March 31, 2001 and 2000 and the consolidated statements of income (loss), retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Toronto, Canada
May 25, 2001