



KNOWLEDGE BASED VALUE FOCUSED CLAIRVEST GROUP INC.

Annual Report 2002

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### OVER THE LAST FIVE YEARS CLAIRVEST HAS DONATED OVER \$450,000 TO THE INSTITUTIONS LISTED BELOW.

ACE Canada • Art Gallery of Ontario • Baycrest Centre Foundation • Baycrest Gala 2001 • Beatrice House (Founders Network) • Benjamin Foundation • Begin-Sadat Center for Strategic Studies • B'nai Brith Foundation (Paul Godfrey, Honouree) • B'nai Brith Award of Merit (Honouring A. Charles Baillie) • B'nai Brith Foundation • Calmeadow Foundation • Canada-Israel Children's Centres • Canada's Sports Hall of Fame • Canadian Council of Christians and Jews • Canadian Ditchley Foundation • Canadian Foundation of the Physically Disabled • Canadian Foundation for Control of Neurodegenerative Disease (Jacob's Ladder) • Canadian Friends of Israel Museum • Canadian Institute for Advanced Research • Canadian Institute of International Affairs • Canadian Medical Hall of Fame • Canadian Opera Company • Canadian Sha'are Zedek Hospital Foundation • Canadian Society for the Weizman Institute of Science • Canadian Technion Society • Centre for Addiction & Mental Health • C.D. Howe Institute • Children's Own Museum • Cinémathèque Ontario • CM Hincks Institute • Concordia University Foundation • Council for Business and Arts in Canada • Crohn's & Colitis Foundation of Canada • Dr. Alexander Waugh Admissions Scholarship in the Humanities • Daily Bread Food Bank • Earth Council Institute – Canada • Fondation du Centre Hospitalier de Suroit • Fragile X Research Foundation of Canada • Gairdner Foundation • Governor General's Performing Arts Awards • Heart & Stroke Foundation • Hebrew University of Jerusalem • Hospital for Sick Children • Jewish Family & Child Services • Jewish National Fund • Jewish Vocational Services • Jewish War Veterans of Canada • Junior Achievement of Canada • Justin Eves Foundation • Juvenile Diabetes Foundation • Kidney Foundation of Canada • Koffler Centre for the Arts • Learning Partnership • Leukemia Research Fund • Maimonides Hospital • McMichael Canadian Art Collection • Medical Discovery Management • Mount Royal College Foundation • Mount Sinai Hospital Foundation of Toronto • Music Toronto • Noah's Flood • Na'amat Canada • Ontario Association of Art Galleries • Ontario College of Art & Design Foundation • The Ontario Crafts Council • Ontario Heritage Foundation • Partners in Research • Paul Steinhauer Scholarship • Peter F. Drucker Foundation • Princess Margaret Hospital Foundation • Pontifical Institute for Medieval Studies • Provincial Police News • Public Education Dinner • Quebec Cystic Fibrosis Association • Royal Ontario Museum Foundation • Sha'are Zedek • Sharelife Corporate • Shaw Festival • St. Boniface University • Stratford Festival of Canada • Starlight Children's Foundation of Canada • Sunnybrook Hospital Foundation • The Power Plant • Toronto Fire Fighters • Toronto Hadassah • U of T Alzheimer's Research • United Nations Association of Canada • United Way of Greater Toronto • University of Toronto • University of Western Ontario • Yee Hong Community Wellness Foundation • Yorktown Family Services

## Clairvest's Investment Principles Knowledge Based – Value Focused

Discovering value requires intelligence, discipline, experience and hard work. There are no short cuts.

### 1. INVEST IN WHAT YOU KNOW.

We invest in industries we understand. This understanding comes from proprietary domain research. We look for industries that have:

- Significant potential for consolidation.
- Cost-based economies of scale.
- A pattern of recurring revenue.
- The potential to deliver high returns on net assets and invested capital.

### 2. INVEST IN SOLID COMPANIES WITH COMMITTED AND SUCCESSFUL MANAGEMENT.

We invest in companies within select industry sectors that have:

- Management with a successful track record and significant capital at risk.
- A proven economic model and a sustainable advantage or market position.
- A business model that clearly demonstrates how money is generated within the business.

### 3. USE KNOWLEDGE TO ADD VALUE AT EVERY OPPORTUNITY.

Good judgement comes from experience. Clairvest utilizes the extensive experience of its Board of Directors, the entire management team and its investment partners to guide development and growth. We look for economies of scale and economies of skill.

### 4. VALUE CREATION IS FUNDAMENTAL.

Value must be created within the company. We do not look to the capital markets to produce success. When we're happy to own an investment through the entire business cycle, we've found the right industry, the right company and the right management team.



focus

#### Co-Chief Executive Officers' Message

A focused approach to value and growth and a disciplined investment strategy deliver consistent returns.

Uncertain times produce uncommon opportunities for those with a defined investment philosophy and the ability to stay the course.

Last year will be remembered for many things, not the least of which was the tragedy of September 11th. The ripple effect of that event, and subsequent market shocks, has proven once again that consistent investment returns are possible when aggressive entrepreneurial instincts are guided by a prudent and consistently applied investment philosophy.

For Clairvest it was a year when return on equity was 15.5%. Four of our companies produced record-breaking results, two demonstrated a strong recovery and two of our companies struggled with the economic downturn. While we are pleased with these results, we are not satisfied.

For Allied Global Holdings, Datamark, Gateway Casinos and Sparkling Spring Water it was a year of record results. The credit for this goes to the quality of senior management and their dedication to executing their respective focused strategies.

Signature Security and Voxcom – both electronic security companies – have recovered strongly from last year's difficult operating environment. Voxcom also completed – subsequent to year-end – a recapitalization that positions it for consistent growth in the future. We expect these companies to produce solid returns and to benefit from the weakening positions of many of their competitors.

Both Consolidated Vendors (CVC) and NRI Industries were negatively affected by a weak economy but are now well positioned for growth as the economy rebounds. Clairvest was able to purchase CVC's debt at a significant discount, an action that turned a problem into an opportunity. We are also pleased to report that NRI's results have continued to improve steadily since year-end.

Clairvest Equity Partners added \$57 million in new capital and completed three investments. One of our new investment partners is the Canada Pension Plan Investment Board. Clairvest is honoured to be selected as one of the CPP Investment Board's first private equity managers. The CPP Investment Board also purchased shares of Clairvest Group Inc. and now owns 15% of the company, which consists of 5% common and 10% non-voting shares.

We are also pleased that our share price is closing the gap on book value, an indication that the market is recognizing Clairvest for its consistent performance and value creation. While our share price is up more than 40% (Apr 01 – Apr 02), we are well aware that consistency of results is the surest way to maintain this trend.

#### THE FUTURE

Clairvest will continue to deliver strong returns to our investment partners regardless of the phase of the business cycle. We continue to add seasoned investment professionals to our group as we expand our search for industries and companies that meet our strict investment criteria. New acquisitions will only be made when we're satisfied that they can deliver the returns our partners expect.

Our post year-end investment in Van-Rob Stampings Inc. is an acquisition that meets this criteria. As a "best-in-class" supplier to the North American auto industry, the company is profitable, has a seasoned and proven management team and has significant potential to grow organically as well as through strategic acquisitions. We are delighted to add Van-Rob and its management team, led by founder and CEO Peter van Schaik, to our list of partners.

Clairvest is growing. It is our plan to grow and add additional funds to the Clairvest roster. We will only invest the money of our partners along with our own; we will maintain the strictest disciplines based on value, growth and management strengths, and we will maintain the highest standards of due diligence and integrity in all our actions.

In conclusion, we would like to thank Joe Rotman, our former Chairman, for his many years of guidance and wisdom. Clairvest was Joe's idea and Joe's vision. His boundless energy and leadership have established Clairvest as a "best-in-class" merchant bank. While Joe has stepped down as Chairman, his example as an astute, fair-minded investor and colleague will continue as an important moral compass within Clairvest.

We would also like to acknowledge the contributions of Clairvest Director Joe Heffernan, who has now taken on the added responsibility of Chairman. We look forward to working closely with him as we continue to benefit from his many years of business experience.

To our entire Board of Directors, partners and colleagues within Clairvest, we would like to extend our gratitude and appreciation for their dedicated efforts and knowledgeable contributions. Our success and that of our investment partners are due to the constant efforts of a highly motivated team of investment professionals. Together we will continue to build value.



Jeff Parr  
Co-Chief Executive Officer and Managing Director  
August 1, 2002



Ken Rotman  
Co-Chief Executive Officer and Managing Director  
August 1, 2002





growth

## Clairvest Partnerships

Generating growth and opportunity.

At Clairvest we invest our own money in everything we do. It's the best way to align the interests of all parties to a transaction.

### **CLAIRVEST EQUITY PARTNERS (CEP)**

In its first full year of operation CEP added \$57 million in new investment capital and made significant investments in Allied Global Holdings and Consolidated Vendors. Subsequent to year-end, CEP also made a significant investment in Van-Rob Stampings.

Clairvest raised \$164 million from outside investors and committed to invest \$55 million of its own capital. These investors benefit from our proprietary research, deal flow and attractive long-term investment results. One of our major new investors this year is the Canada Pension Plan Investment Board. The CPP Investment Board placed funds not only in CEP but also bought shares of Clairvest to own a 15% interest consisting of 5% common and 10% non-voting shares. Clairvest has committed to invest in every CEP investment. Clairvest's pro rata share will be 25% of the combined investment.

### **THE FUTURE**

We continue to search for investment opportunities that meet our rigorous standards and will produce a consistent gross IRR in excess of 25% on all invested capital. Each investment made on behalf of CEP will be between \$10 and \$30 million where Clairvest will co-invest with the Limited Partnership according to its pro rata commitment.

### **WELLINGTON FINANCIAL L.P. (THE BRIDGE FUND)\***

This \$7 million Bridge Fund is our initial foray into technology investing. Our strategy is to start small and with a partner that has expertise in financing technology companies in the capital markets. To date, the Bridge Fund has advanced four loans for a total of \$5.5 million, \$1.0 million of which is currently outstanding and the remainder of which have been repaid. Profits on these transactions, including realized and unrealized gains on the warrants held, is \$2.5 million.

### **THE WAY WE INVEST AT CLAIRVEST**

At Clairvest we invest our own money in everything we do. In our experience, it's the best way to promote the common interest of all parties to a transaction. As the Directors and senior management of Clairvest are the largest shareholders of Clairvest, the best interests of all investors are fully aligned. As long-term investors in illiquid situations, we are guided by a prudent and proven conservatism. Our approach to investing is bottom-up and value-based, stressing thorough independent research.

\*Note: Subsequent to year-end, name changed from Clairvest-Yorkton Transition Capital Fund L.P.

value

## The Clairvest Team

Knowledge is the result of thoughtful reflection based upon experience.

One of our strongest assets is the collective knowledge and experience of our Board of Directors and senior management team.

### **TOM BECK – Advisor and Director**

Founded and built Noma Industries into a \$600 million a year company. Sits on the Board of Datamark.

### **MICHAEL BREGMAN – Advisor and Director**

Principal of XDL Interinvest Capital Corporation. Former CEO of Second Cup Ltd. Sits on Clairvest's Audit Committee and the Board of Allied.

### **SYD COOPER – Advisor and Director**

Built Pitts Engineering Construction into one of Canada's leading infrastructure construction companies. Sits on Clairvest's Audit Committee and the Board of Datamark.

### **EPH DIAMOND – Advisor and Director**

The driving force in building Cadillac Fairview into one of North America's leading real estate companies. Sits on Clairvest's Compensation and Human Resources Committee.

### **JERRY HEFFERNAN – Advisor and Director**

Chairman of Texas Industries Inc. Founded the steel company Co-Steel Inc. Chairs Clairvest's Compensation and Human Resources Committee, and sits as Chairman of NRI.

### **JOE HEFFERNAN – Chairman, Advisor and Director**

Chairman of Rothmans Inc. and former Deputy CEO of Rothmans International. Sits on the Board of Sparkling Spring.

### **PHILIP ORSINO – Advisor and Director**

President and CEO of Masonite International Corp. Chairs Clairvest's Audit Committee.

### **JOE ROTMAN – Advisor and Director**

Founded and built Tarragon Oil and Gas. One of the original investors in Barrick Gold. Founded Clairvest in 1987.

### **LIONEL SCHIPPER – Advisor and Director**

Past Chairman of Toronto Sun Publishing and former partner at Goodmans LLP. Sits on the Board of NRI.

### **ISSY SHARP – Advisor and Director**

Founded and built Four Seasons Hotels. Sits on Clairvest's Compensation and Human Resources Committee.

**JEFF PARR – Director, Co-CEO and Managing Director**

Former partner at Canadian Mezzanine Investments Inc. and manager of Merchant Banking at National Bank of Canada. Sits on the Boards of Datamark, Consolidated Vendors, Gateway Casinos and Signature.

**KEN ROTMAN – Director, Co-CEO and Managing Director**

Former venture banker at Warburg Pincus. Has an MBA from New York University and an MSc from London School of Economics. Sits on the Boards of NRI, Sparkling Spring, Allied, Voxcom and Van-Rob.

**MIKE CASTELLARIN – Associate**

Former consultant for the Monitor Company. Has his MBA from the J.L. Kellogg School of Management, Northwestern University.

**HEATHER CRAWFORD – In-House Counsel**

Former Corporate Lawyer with Torys. Manages Clairvest’s outside counsel and public company compliance.

**DENNIS DUSSIN – Associate**

Former investment banker with BMO Nesbitt Burns. Has his CFA and an MBA from Richard Ivey School of Business. Sits on the Board of NRI and acts as observer to the Board of Van-Rob.

**JOHN FISHER – Managing Director**

Former corporate finance associate at Coopers & Lybrand and Scotia McLeod. Sits on the Boards of Datamark, Consolidated Vendors and Allied.

**MITCH GREEN – Associate**

Former leveraged finance associate at BNP Capital Markets and corporate finance analyst at Bank of America. Has his MBA from the University of Michigan Business School.

**LANA REIKEN – Vice-President Finance and Corporate Secretary**

Former Audit Manager at Ernst and Young LLP. Manages Clairvest’s financial and public company reporting, tax planning, structuring and treasury operations.

**DAVE STURDEE – Associate**

Former consultant with the Boston Consulting Group (Toronto, Bangkok). Experience in financial services, automotive, telecommunications, utilities and pharmaceuticals. Holds PhD in philosophy from the University of Toronto.

**MICHAEL WAGMAN – Principal**

Former merchant banker at BMO Nesbitt Burns Equity Partners and investment banking analyst at Nesbitt Burns. Sits on the Boards of Signature, Gateway Casinos and Voxcom.

**Allied Global Holdings Inc.**

Management team outperforms as financial results improve.

**OUR BUSINESS.**

Allied is a leading international accounts receivable management company with operations in Canada, the United Kingdom and the United States. Allied is a fast growing company that is well positioned to achieve sustainable growth through internal sales efforts and strategic acquisitions.

**OUR PERFORMANCE.**

In August 2001, Allied completed the acquisition of Recovery Bureau of America, Inc. (RBA), a California-based accounts receivable management company. This acquisition significantly enhanced Allied’s US operations and will serve as a platform for organic growth in this market. Clairvest and CEP invested an additional \$5 million in preferred shares to fund the acquisition, bringing the total combined investment to \$12 million.

Overall, Allied grew revenue and EBITDA 56% in 2001 versus the prior year as a result of the addition of new customers, growth in existing customer volume and the acquisition of RBA.

**FINANCIAL PERFORMANCE (\$ millions)**

YEAR ENDED DECEMBER 31	1999	2000	2001
Revenue	18.3	24.8	38.8
EBITDA	2.0	4.1	6.4
Net debt		0.1	3.5

**INVESTMENT IN PREFERRED SHARES (\$ millions)**

	MAR. 31, 2002
Cost	3.0
Carrying value	3.2

**OWNERSHIP (FULLY DILUTED)**

Clairvest	8.4
CEP	25.0
Management	66.6
	100%

**WHERE WE’RE GOING.**

Allied will continue to grow its business in Canada, the UK and the US through a dedicated focus on improving and expanding internal sales efforts. The company expects to complete several strategic acquisitions in the next few years to strengthen its geographic footprint while increasing the breadth of Allied’s service offerings.

**INDUSTRY OUTLOOK.**

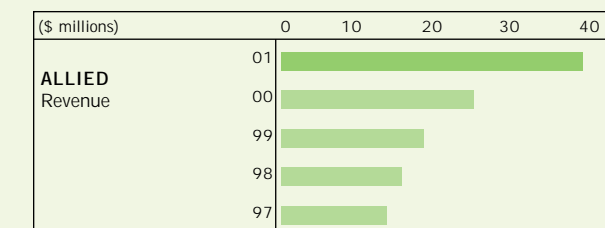
The accounts receivable management industry is growing rapidly and has estimated annual agency fee revenues of US\$8 billion, C\$300 million and £300 million in these markets. The industry is growing at a rate of over 10% per annum driven by the strong growth in consumer debt levels and by a trend among credit grantors to turn over receivables to agencies earlier in the collection cycle.

For Clairvest and CEP this is an opportunity to invest with an entrepreneur that has gained a solid foothold in a growing and rapidly consolidating industry.

**THE MANAGEMENT TEAM.**

Allied is led by its President and 20% owner, David Rae, who has over twenty years of experience in the accounts receivable management industry. Under Mr. Rae’s leadership, Allied has demonstrated a strong commitment to operational excellence through its ISO 9002 certification. In 1999, Allied was named one of Canada’s 50 Best Managed Private Companies.

Ken Rotman, John Fisher and Michael Bregman of Clairvest sit on Allied’s Board of Directors.



## Consolidated Vendors Corporation

### Debt purchase strengthens company for gains as economy in the US Midwest recovers.

#### OUR BUSINESS.

Consolidated Vendors owns and services approximately 4,500 vending machines throughout Michigan and Illinois. Located in prime industrial, retail and office locations in the Midwest, customers are provided with a broad range of quality food and beverage products.

#### OUR PERFORMANCE.

2001 was a challenging year for Consolidated Vendors due to the difficult economic environment in the US Midwest. In particular, the decline in the manufacturing sector resulted in reduced employee counts at many of the company's customer sites and consequently lower vending revenues for the company. The decline in revenue combined with the company's fixed costs caused a significant reduction in operating profit.

#### FINANCIAL PERFORMANCE (US\$ millions)

YEAR ENDED DECEMBER 31	1999	2000	2001
Revenue	16.8	31.9	27.6
EBITDA	1.7	3.6	1.8
Ending net debt	13.8	14.2	15.4

#### INVESTMENT IN COMMON AND PREFERRED SHARES (\$ millions)

	MAR. 31, 2001	MAR. 31, 2002
Cost	6.6	2.9
Carrying value	8.2	3.6

#### OWNERSHIP (FULLY DILUTED)

Clairvest	17.2
CEP	51.7
Management	31.1
	100%

#### WHERE WE'RE GOING.

As a result of Clairvest and CEP purchasing Consolidated Vendors' senior bank debt at a discount in May 2002, Consolidated Vendors has increased operating flexibility going forward. We expect the company's results to increase over time as a result of the recently completed cost reduction program and as manufacturing industry activity rebounds in the Midwest. The company will evaluate strategic add-on acquisitions in its existing market in order to gain regional economies of scale.

#### INDUSTRY OUTLOOK.

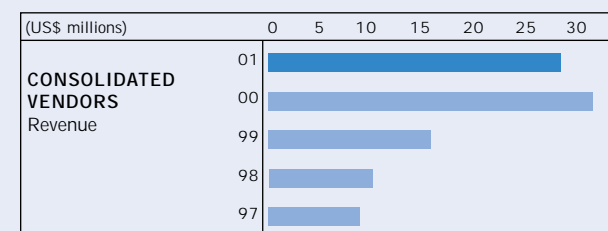
In the United States the ownership and servicing of vending machines is a US\$20 billion a year business. The vending industry in the United States is highly fragmented with more than 9,000 operators, of whom approximately 97% generate annual revenue of less than US\$10 million.

For Clairvest, this investment represents an opportunity to participate in the consolidation of the industry by investing with an entrepreneur who provides superior service and a disciplined approach to management.

#### THE MANAGEMENT TEAM.

Consolidated Vendors is led by Michael Kelner, a successful entrepreneur with over 16 years of experience in the vending industry. Mr. Kelner's prior management experience at GE provided him with the necessary leadership and business experience to grow Consolidated Vendors from US\$2 million to over US\$27 million today. The management team has been further strengthened by the addition of CFO Gary Rose.

Jeff Parr and John Fisher of Clairvest sit on the Board of Directors of Consolidated Vendors.



## Datamark Systems Group Inc.

### A record year as previous acquisitions produce significant results.

#### OUR BUSINESS.

Datamark specializes in providing customers with end-to-end document management services. These services include customized print design, production, cost control and reporting, and warehousing and distribution. Datamark is growing its North American customer base through a network of direct sales professionals. 88% of Datamark's sales are in Canada.

#### OUR PERFORMANCE.

In 2001 Datamark grew and successfully integrated the acquisitions in commercial print and airline products, which helped Datamark post record results. Revenue and EBITDA grew 9.3% and 17.3%, respectively, generating significant free cash flow, which was used to reduce debt by \$7.1 million and pay \$3.8 million in dividends.

#### FINANCIAL PERFORMANCE (\$ millions)

YEAR ENDED DECEMBER 31	1999	2000	2001
Revenue	101.4	117.9	128.9
EBITDA	10.4	11.0	12.9
Margin	10.3%	9.3%	10.0%
Dividend paid	-	6.5	3.8
Net debt	9.9	23.1	16.0

#### INVESTMENT IN COMMON SHARES (\$ millions)

	MAR. 31, 2001	MAR. 31, 2002
Cost <sup>(1)</sup>	14.4	14.4
Carrying value <sup>(1)</sup>	8.9	16.6

(1) Excludes \$12.4 million in dividends received from inception to June 2002.

#### OWNERSHIP (FULLY DILUTED)

Clairvest	36.5
Management & others	63.5
	100%

#### WHERE WE'RE GOING.

Given the downturn in the economy, we expect Datamark and its competitors to experience some contraction in the market in 2002. While results will soften, Datamark will continue to produce substantial free cash flow which will be used to reduce debt, fund acquisitions and ultimately reward shareholders.

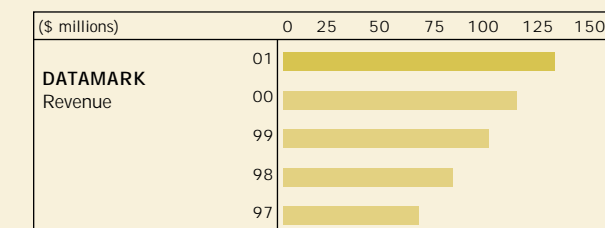
#### INDUSTRY OUTLOOK.

The industry continues to reward those companies that develop complementary products and services beyond the core business of printing. Datamark is and will continue to be a leader in this area with a broad array of products and services. The recent economic slowdown will put increased pressure on one dimensional competitors, providing further impetus for consolidation. Datamark has and will continue to actively participate in this trend.

#### THE MANAGEMENT TEAM.

The company is led by Jeffrey Zunenshine and Claude Perrotte, who, with over 20 years of experience and partnership, have built Datamark from a \$2 million revenue company in 1982 to the industry leader it is today. Clairvest has actively assisted the management over the last six years while the company completed three acquisitions and doubled the size of its business.

Tom Beck, Syd Cooper, John Fisher and Jeff Parr of Clairvest sit on the Board of Directors of Datamark.



## Gateway Casinos Inc.

### Another year of record growth.

#### OUR BUSINESS.

Gateway Casinos operates nine casinos in Western Canada. Seven are located in British Columbia and two in Alberta. Combined, the company operates 245 gaming tables and 2,418 slot machines.

#### OUR PERFORMANCE.

Gateway Casinos continues a strong tradition of growth through a combination of efficient operations and selective acquisitions. Revenue is up 15.3% while EBITDA has increased 25.7%. Subsequent to Gateway's year-end, the company purchased Lake City Gaming (four casinos in B.C.) as well as Baccarat Casino Inc. (one casino in Edmonton). Gateway Casinos is now the largest privately-held gaming operator in Canada.

#### FINANCIAL PERFORMANCE (\$ millions)

YEAR ENDED APRIL 30	2000	2001	2002
Net Revenue	53.8	64.5	74.4
EBITDA (pre-fees to shareholders)	25.2	28.4	35.7
Debt (cash)	(11.3)	(13.4)	(25.2)

#### INVESTMENT IN COMMON SHARES (\$ millions)

	MAR. 31, 2001	MAR. 31, 2002
Cost <sup>(1)</sup>	24.0	24.0
Carrying value <sup>(1)</sup>	24.0	30.0

(1) Excludes \$4.3 million in taxable distributions received to June 2002.

#### OWNERSHIP (FULLY DILUTED)

Clairvest	28.4
Management & others	71.6
	100%

During 2002, Clairvest received \$1.4 million from Gateway Casinos, its portion of a \$5.0 million distribution.

#### WHERE WE'RE GOING.

Over the next year Gateway Casinos will focus on the integration of its new casinos into the current operating structure.

Activity is underway to relocate Gateway Casinos' existing casinos in New Westminster and Vancouver to permanent sites, and to construct a new and larger casino on the existing Baccarat site in Edmonton.

#### INDUSTRY OUTLOOK.

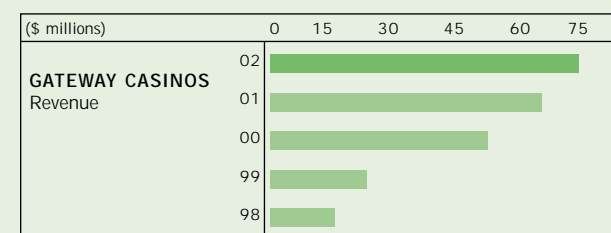
In Alberta, gaming revenue to the province has increased from \$125 million to \$807 million over the past seven years, representing a compound annual growth rate of 30.5%. In B.C., gaming revenue for the same period has grown from \$239 million to \$512 million. The importance of gaming revenue to the provinces is significant. In Alberta revenue from gaming operations is 5.0% of total government revenue and climbing, while in B.C. it is 2.1% compared to the Canadian average of 4.4% (see Table below). We believe that gaming will continue to be an important revenue source for these provinces. Additionally, we expect that significant growth will come in the B.C. market, where revenue is significantly below the average for Canada.

% OF TOTAL GOVERNMENT REVENUE	1992	1999
B.C.	2.2%	2.1%
Alberta	1.6%	5.0%
Canada	1.8%	4.4%

#### THE MANAGEMENT TEAM.

Gateway Casinos' Ray McLean leads a senior management team of seasoned industry professionals including President, Dave Gadhia; COO, Dan McLean; General Manager, Monique Wilberg; and COO of Alberta Operations, Howard Worell.

Jeff Parr and Michael Wagman of Clairvest sit on Gateway Casinos' Board of Directors.



#### OUR BUSINESS.

NRI converts low value industrial and consumer scrap rubber into products that meet rigid quality standards at competitive prices. As a Tier 1 supplier to the major automotive manufacturers, NRI is able to exploit its technology-based competitive advantage to ultimately generate industry-leading margins.

#### OUR PERFORMANCE.

In 2001, revenue was \$51.5 million while EBITDA was \$4.6 million, a reduction from the previous year of 18.3% and 46.5% respectively. Automotive sales, which represented 67% of 2000 sales, were down \$10.5 million in 2001, accounting for 92% of the decline.

In 2000, NRI completed the installation of a \$7.7 million continuous process technology that dramatically enhanced production efficiency. This project created significant start-up expenses as the process was brought into production over 12 months. Despite the slowdown and the issues in bringing the new process on line, NRI was able to successfully reduce its bank debt by almost \$7 million in 2001.

#### FINANCIAL PERFORMANCE (\$ millions)

YEAR ENDED DECEMBER 31 - PARTS DIVISION <sup>(1)</sup>	1999	2000	2001
Revenue	68.3	63.0	51.5
EBITDA	13.1	8.6	4.6
Margin	19.2%	13.6%	8.9%
Debt	31.4	23.7	16.9

(1) Materials Division sold in 2000.

#### INVESTMENT IN COMMON AND PREFERRED SHARES (\$ millions)

	MAR. 31, 2001	MAR. 31, 2002
Cost	17.6	17.6
Carrying value	24.1	25.2

#### OWNERSHIP (FULLY DILUTED)<sup>(2)</sup>

Clairvest	84.7
Management & others	15.3
	100%

(2) June 2002, after the expiry of an option held by Clairvest.

## NRI Industries Inc.

### Slowdown in automotive sector affects NRI. Positive impact of re-tooling being felt.

#### WHERE WE'RE GOING.

With the completion of NRI's capital improvement program, the company's cost structure is dramatically improved. Margins at, and subsequent to, year-end have improved, though revenue has declined slightly. NRI has continued to be awarded significant automotive contracts and continues to gain market share. Based on awarded contracts, we expect that by 2004, automotive sales will increase by 50% over 2001 levels. In addition, NRI continues to see growth in its non-automotive sales. Despite the economic slowdown, industrial sales were up 5% in the first six months of 2002 over the same period in 2001.

NRI has also been enjoying some early success in working with foreign automakers such as Nissan. Sales to foreign automakers increased 10% in the first six months of 2002 over the same period in 2001.

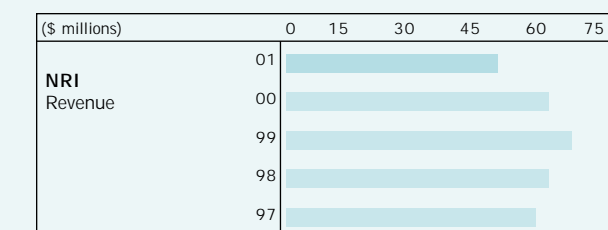
#### INDUSTRY OUTLOOK.

We expect that the recovery in the automotive sector will occur slowly, and that the industry will continue to be extremely competitive. Success will be based on winning new business, controlling costs and being the low cost provider. NRI is well positioned to execute this strategy.

#### THE MANAGEMENT TEAM.

NRI is led by Ted Pattenden, a former senior executive at DuPont. Mr. Pattenden, along with a team of senior manufacturing and marketing executives, has taken NRI from a marginally competitive provider of rubber parts into a niche player with a meaningful cost advantage.

Jerry Heffernan, Lionel Schipper, Ken Rotman and Dennis Dussin of Clairvest sit on NRI's Board of Directors. Mr. Heffernan is also Chairman of NRI.



## Signature Security Group Holdings Pty. Limited

### Restructuring complete. Operations dramatically improved as cash flow break-even achieved.

#### OUR BUSINESS.

Signature is a full-service electronic security company serving Australia and New Zealand, where it sells, installs, services and monitors alarm systems for residential and commercial customers. Since 1997, the company has become the second largest electronic security provider in Australia, and the largest full-service provider in New Zealand.

#### OUR PERFORMANCE.

This is the fifth consecutive year of steadily improving results. This was achieved through a reduction in the cost to acquire new customers and through improved operating efficiencies that served to increase operating margins. A recapitalization was completed in August 2001, resulting in the elimination of AUS\$25 million of debt and the provision of AUS\$24 million of new capital to support the dramatically improved operating models.

#### FINANCIAL PERFORMANCE (AUS\$ millions)

YEAR ENDED MARCH 31	2000	2001	2002
Revenue	47.0	52.2	55.2
EBITDA	12.4	20.9	22.8
Margin	26.4%	40.0%	41.3%
Monthly monitoring revenues	3.3	3.8	3.8
Third party debt	102.0	126.2	91.3

#### INVESTMENT IN ORDINARY SHARES AND LOANS

(\$ millions)

	MAR. 31, 2001	MAR. 31, 2002
Cost	20.4	28.4
Carrying value	20.4	28.7

#### OWNERSHIP (FULLY DILUTED)

Clairvest	43.8
Management & others	56.2
	100%

#### WHERE WE'RE GOING.

The final phase of Signatures' strategic plan has been successfully implemented. The company will grow slowly while it continues to improve the internal economics of its business. It is firmly establishing itself as one of the largest and strongest competitors in the Australian and New Zealand markets. The company faces a maturing senior debt facility in December 2002, which, given the recent operational performance and capital reorganization, is expected to be renewed.

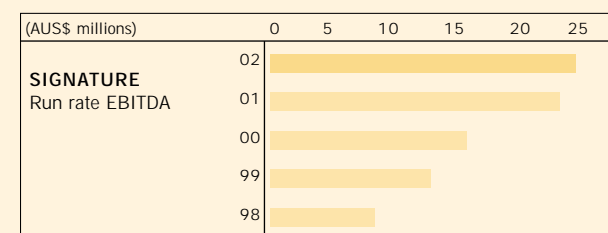
#### INDUSTRY OUTLOOK.

The electronic security industry in Australia generates approximately AUS\$375 million in revenue per year. The market is underserved with residential penetration rates of 5% compared to approximately 20% in the US. The Australian industry is highly fragmented, with the top three firms having a market share of 60% (Signature's market share is estimated at 20%). The balance of the industry is held in the hands of over 3,000 independent operators. Significant industry consolidation is underway. Signature has been an industry leader in driving down the investment required for new customers. Should the industry follow, the economics for all participants will improve.

#### THE MANAGEMENT TEAM.

After a full year of operating control, Howard Watson has completely rebuilt the company's senior management team and has delivered outstanding performance. Howard has created both a strong management and operational platform to lead Signature forward.

Jeff Parr and Michael Wagman of Clairvest sit on Signature's Board of Directors.



## Sparkling Spring Water Holdings Limited

### Sparkling Spring produces record-breaking results.

#### OUR BUSINESS.

Sparkling Spring is a bottling, distribution and cooler rental company for high-quality purified drinking water. The company provides regular service to 250,000 water coolers – where over 80% are rental units. Sparkling Spring services customers in Oregon, Washington, British Columbia, Alberta and Atlantic Canada, and in England, Holland and Scotland.

#### OUR PERFORMANCE.

During the past year, revenue and EBITDA grew by 33% to generate record performance. Contributing to these results were several very attractive acquisitions in British Columbia and Washington State that helped to improve the company's financial performance and increase market share. EBITDA margins were flat at 25% as compared to last year, as productivity improvements were offset by increased sales of lower margin products to supermarkets. Capital expenditures for 2001 were approximately \$10 million, \$1 million less than the previous year.

#### FINANCIAL PERFORMANCE

(US\$ millions, except serviced water coolers)

YEAR ENDED DECEMBER 31	1999	2000	2001
Revenue	63.9	69.3	92.5
EBITDA <sup>(1)</sup>	17.1	17.6	23.4
EBITDA margin	26.7%	25.4%	25.3%
Serviced water coolers	160,300	182,600	246,300
Net debt	107.1	105.3	106.8

(1) Before one-time costs relating to integration of acquisitions.

#### INVESTMENT IN COMMON SHARES (\$ millions)

	MAR. 31, 2001	MAR. 31, 2002
Cost	5.9	4.7
Carrying value	31.9	32.9

#### OWNERSHIP (FULLY DILUTED)

Clairvest	14.7
Management & others	85.3
	100%

Clairvest sold approximately \$6 million worth of Sparkling Spring shares, reducing our cost to \$4.7 million. Dispositions

to date have generated gains in excess of \$4.7 million, bringing Clairvest's actual cash investment to less than zero. During 2001, Sparkling Spring raised US\$15 million in equity at a higher share price, which increased the carrying value of Clairvest's investment in Sparkling Spring to C\$33 million.

#### WHERE WE'RE GOING.

Sparkling Spring recently closed on another acquisition in Washington and made a small but important acquisition in Holland. Sparkling Spring will pursue expansion of its home and office business by acquisition as well as continue to focus on internal growth. Clairvest expects that its percentage interest in Sparkling Spring will continue to be diluted as the company grows.

#### INDUSTRY OUTLOOK.

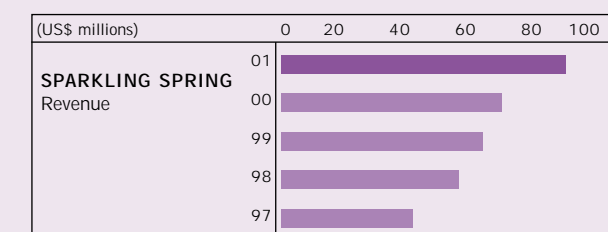
Bottled water is one of the fastest growing segments of the beverage industry and is currently the third most popular beverage in North America. This industry is fragmented, regional and relatively unsophisticated. Approximately 2,000 companies in the US account for almost US\$5 billion in sales, with the top five companies accounting for 60% of the market. The trend toward consolidation is increasing.

The public demand for better tasting water and a rising concern for health related issues will be major drivers of demand for bottled water in the foreseeable future.

#### MANAGEMENT TEAM.

Sparkling Spring is led by John Krediet, a proven entrepreneur with a history of many years in the beverage industry. The current senior management team consists of COO Dillon Schickli and Vice Chairman Stewart Allen, who previously worked together with Krediet at Pepsi.

Joe Heffernan and Ken Rotman of Clairvest sit on Sparkling Spring's Board of Directors.



## Van-Rob Stampings Inc.

### Management delivers superb results in highly competitive auto parts sector.

#### OUR BUSINESS.

Van-Rob is a “best-in-class” Tier 1 supplier of metal stampings and welded assemblies to the North American auto sector. Primarily serving the “Big 3” domestic automakers and their suppliers, Van-Rob operates four plants in Ontario and one through a joint-venture in Mexico. By emphasizing technical innovation, superior service and quality control, Van-Rob has consistently earned an impressive return on net assets.

#### OUR PERFORMANCE.

Van-Rob has grown organically to almost \$200 million in sales, mostly in the last 10 years. Over the past four years the company has achieved an average annual internal growth rate of 11%. The company has also steadily increased its market share, as demonstrated by a growth in revenue per vehicle from \$3.79 in 1995, to \$11.84 in 2001. Van-Rob has received GM’s Supplier of the Year award in six of the 10 years the award has been given. While sales declined 3% in 2001 as a result of the automotive slowdown, operating profit improved substantially due to efficiency improvements.

#### INVESTMENT IN PREFERRED SHARES (\$ millions)

	JULY 2002
Clairvest	5.0
CEP	15.0
	20.0

#### OWNERSHIP

	JULY 2002
Clairvest	5.0
CEP	15.0
Management	80.0
	100%

#### WHERE WE’RE GOING.

Although the company is profitable, it is operating below capacity in three of its five facilities. Given the fixed costs, additional volume in those facilities will represent high margin growth as the company leverages its investment in infrastructure. The current “book” of business already awarded

indicates that revenue should grow from \$187 million in 2001 to at least \$230 million over the next four years, and should surpass \$300 million by year five, provided new business is won at volumes consistent with historical levels. Internal growth will be complemented by an acquisition program focused on targets with either new technologies or new customer relationships.

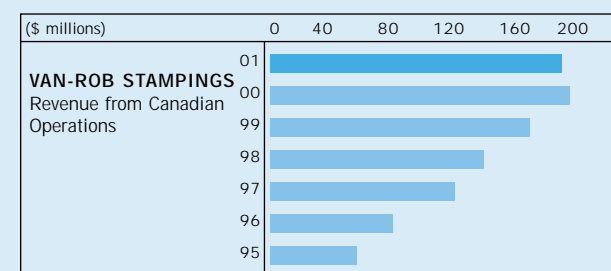
#### INDUSTRY OUTLOOK.

While the recent economic downturn has hurt the weaker suppliers to the automotive industry, strong performers with a history of innovation and rigorous cost control are prospering and positioned to deliver exceptional performance while capitalizing on the weaknesses of competitors. This is a highly competitive industry where the “Big 3” continue to demand better service and quality from suppliers as well as annual price reductions. The “Big 3” are also aggressively culling their supply base. Those chosen by the customers to survive, such as Van-Rob, should see an increasing share of business.

#### THE MANAGEMENT TEAM.

Van-Rob is led by founder and majority owner Peter van Schaik. Peter founded the company in 1980 and has surrounded himself with a team of experienced and knowledgeable senior managers including Bruce Johnson, who serves as President. The group has an exceptional technical knowledge of the industry that has allowed Van-Rob to achieve increased efficiencies while maintaining margins and extremely high customer satisfaction ratings.

Ken Rotman of Clairvest sits on Van-Rob’s Board of Directors and Dennis Dussin acts as observer to the Board.



#### OUR BUSINESS.

Voxcom installs and monitors electronic security systems and Life Call medical alert systems throughout Canada. The company operates a 24-hour monitoring station in Edmonton providing nationwide service. Voxcom is the fourth largest competitor in Canada.

#### OUR PERFORMANCE.

While revenue grew by 9.1% to \$27.7million, EBITDA grew 51.8% to \$12.9 million as EBITDA margins increased from 33.5% to 46.5%. This was accomplished as the company focused on slower growth on better economic terms. Performance improved due to a combination of internal streamlining and selective price increases.

#### FINANCIAL PERFORMANCE (\$ millions, except no. of customers)

YEAR ENDED FEBRUARY 28	2000 <sup>(1)</sup>	2001	2002
Revenue	21.3	25.4	27.7
EBITDA	5.5	7.2	12.9
Margin	25.9%	33.5%	46.5%
Number of customers	69,297	76,904	77,508
Monthly monitoring revenue	1.7	1.8	1.9
Net debt	46.9	63.2	66.6

(1) Not adjusted for change in accounting policy.

#### INVESTMENT IN COMMON SHARES AND DEBENTURES (\$ millions)

	MAR. 31, 2001	MAR. 31, 2002
Cost	6.3	6.7
Carrying value	7.7	7.3

#### OWNERSHIP (FULLY DILUTED)<sup>(2)</sup>

Clairvest	26.3
Management & others	73.7
	100%

(2) After June 2002 recapitalization (Clairvest’s ownership was 45.2% prior to the recapitalization).

Subsequent to year-end Voxcom closed a recapitalization transaction which involved the issuance of \$38.9 million in

## Voxcom Incorporated

### Slower growth leads to improved performance.

Retractable Preferred Shares. Clairvest subscribed for \$10.6 million of the Preferred Shares with the balance being subscribed for by a US based private equity investor. Voxcom also negotiated the repurchase of its mezzanine debt and arranged for a new \$20 million term and a \$50 million revolving banking facility. This recapitalization puts Voxcom on a strong footing for solid growth.

#### WHERE WE’RE GOING.

The alarm security industry is going through a fundamental change. No longer is “growth at-any-cost” acceptable. Voxcom is leading the way and as a result will experience slower growth, however the internal economics of each new customer will be greatly improved.

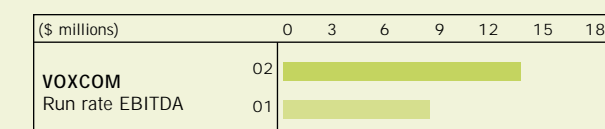
#### INDUSTRY OUTLOOK.

The size of the Canadian electronic security market is approximately \$275 million, highly fragmented and growing at an annual rate of 10–15%. Penetration of the residential market is currently 15% and expected to continue growing over the next several years. Strategic acquisitions are available once again as multiples have returned to acceptable levels. With Voxcom’s recapitalization complete, acquisitions will again be part of Voxcom’s growth strategy.

#### THE MANAGEMENT TEAM.

Voxcom is led by Brad Sparrow and an experienced senior management team. Mr. Sparrow has transformed Voxcom from a marginally profitable start-up in the medical alert business to a leader in the Canadian electronic security industry.

Ken Rotman and Michael Wagman of Clairvest sit on Voxcom’s Board of Directors.



## Management's Discussion and Analysis

AS AT, AND FOR THE YEAR ENDED, MARCH 31, 2002

The following is a review and analysis of Clairvest Group Inc.'s financial results, financial position, risks and opportunities. It should be read in conjunction with the message from the Co-Chief Executive Officers, the Review of Investments and the Consolidated Financial Statements.

### INTRODUCTION

Clairvest Group Inc. ("Clairvest" or the "Company") is a Canadian merchant bank that specializes in partnering with management teams and other stakeholders of both emerging and established companies. Clairvest focuses on a small number of carefully selected companies and actively participates in the building of these organizations. Clairvest invests its own capital and that of third parties, through Clairvest Equity Partners Limited Partnership ("CEP"), in companies that have the potential to generate superior returns.

At March 31, 2002, Clairvest had eight core investments in seven different industries. Two of these investments were joint investments with CEP. Clairvest also held an investment in Clairvest-Yorkton Transition Capital Fund L.P. ("the Bridge Fund"), which changed its name to Wellington Financial L.P. subsequent to year-end. The Bridge Fund is a joint venture between Clairvest and Yorkton Securities Inc.

### OVERVIEW OF FISCAL 2002 AND SUBSEQUENT EVENTS

During the year ended March 31, 2002, Clairvest held the final close of CEP, made initial and follow on investments in several companies, sold shares in other companies, and issued \$16.8 million of non-voting shares. Clairvest also had significant transactions with its investee companies subsequent to year-end. An overview of these events follows:

- Clairvest had the final close of CEP, raising a total of \$164 million from outside investors. Clairvest committed to invest \$55 million of its own capital alongside CEP, for a combined capital pool of \$219 million.
- Clairvest and CEP closed their first joint investment in Allied Global Holdings Inc. ("Allied"). Clairvest's portion of this investment consists of 30,000 10% convertible Class B preferred shares, which were acquired for \$3.0 million. Clairvest's fully diluted ownership interest at March 31, 2002 was 8.4%, and the Clairvest/CEP combined ownership position was 33.4%.
- Clairvest acquired an additional 11,099 Class B preferred shares in Consolidated Vendors Corporation ("Consolidated Vendors") for \$1.7 million. Clairvest subsequently sold a portion of its investment in Consolidated Vendors to CEP, bringing the respective ownership interests in line with Clairvest and CEP's pro rata commitments to the combined capital pool. As a result of these transactions, Clairvest's fully diluted ownership interest at March 31, 2002, was 17.2%, and the Clairvest/CEP combined ownership position was 68.9%. Subsequent to year-end, Clairvest purchased the senior bank debt of Consolidated Vendors for \$11.0 million, representing a significant discount to its face value.

## Management's Discussion and Analysis

- In July 2002, Clairvest and CEP invested in Van-Rob Stampings Inc. ("Van-Rob"). Clairvests' portion of this investment consists of 5,000,000 Class A convertible preferred shares, which were acquired for \$5.0 million. Clairvests' fully diluted interest as a result of this transaction was 5.0%, and the Clairvest/CEP combined ownership position was 20.0%.
- Signature Security Group Holdings Pty. Limited ("Signature") closed a capital reorganization that resulted in Clairvest, through its wholly owned subsidiary, Clairvest Group International (Netherlands) B.V., acquiring 214,591,733 ordinary shares in Signature. Also as part of the reorganization, Clairvest loaned amounts totalling \$8.2 million to Signature and to a special purpose corporate entity formed to loan such funds to Signature. Clairvest's fully diluted indirect ownership interest in Signature was 43.8% at March 31, 2002.
- Clairvest entered into an agreement to guarantee up to \$7.5 million of Voxcom Incorporated's ("Voxcom's") obligations to its lending syndicate. Clairvest received a fee equal to 25% of each amount guaranteed, such fee being secured by a 25% guarantee debenture. At March 31, 2002, Clairvest had guaranteed \$3.45 million of Voxcom's obligations, and held \$1.0 million of guarantee debentures. Clairvest's fully diluted ownership interest at March 31, 2002, was 45.2%. In June 2002, Voxcom closed a recapitalization whereby Clairvest converted all of its existing debentures into Voxcom preferred shares, and Clairvest invested an additional \$2.9 million in preferred shares as part of a \$38.9 million financing. As part of the recapitalization, Clairvest's limited guarantee of Voxcom's obligations was released. Clairvest's fully diluted ownership interest at June 30, 2002, was 26.3%.
- Clairvest sold 342,173 common shares in Sparkling Spring Water Holdings Limited ("Sparkling Spring") for total proceeds of \$6.1 million. Clairvest has now recouped more than 100% of its initial investment in Sparkling Spring and continues to hold a 14.7% fully diluted ownership interest.
- Clairvest sold its investment in HealthCentral.com ("HealthCentral") for nominal consideration. Clairvest realized a \$9.1 million loss on the sale of HealthCentral. This loss had previously been recognized as unrealized losses in prior years.
- Clairvest issued, for cash consideration of \$16.8 million, 2,230,954 non-voting shares through a private placement to the Canada Pension Plan Investment Board ("CPP Investment Board"). The non-voting shares represent a 10% equity interest in Clairvest, on a fully diluted basis. The CPP Investment Board also acquired 5% of Clairvests' common shares during the year, resulting in the CPP Investment Board holding a 15% ownership interest in Clairvest, on a fully diluted basis.

## Management's Discussion and Analysis

### SUMMARY OF CLAIRVEST'S INVESTMENTS AT MARCH 31, 2002

Investment	Trading Symbol and Exchange	% Ownership <sup>(10)</sup>	Cost of Investment (millions)	Carrying Value of Investment (millions) <sup>(11)</sup>	Description of Business
<b>PUBLICLY-TRADED INVESTMENTS</b>					
Datamark Systems Group Inc. <sup>(1)</sup>	DMK – TSX	36.5%	\$ 14.4	\$ 16.6	A business document management company with operations in Canada and the United States.
Voxcom Incorporated <sup>(2)</sup>	VOX – CDNX	45.2%	\$ 6.7	\$ 7.3	A security company that sells, installs, services and monitors security alarm systems for residential and commercial subscribers in Canada.
<b>PRIVATELY-HELD INVESTMENTS</b>					
Allied Global Holdings Inc. <sup>(3)</sup>	Private	8.4%	\$ 3.0	\$ 3.2	An international accounts receivable management company with operations across Canada, the United States and the United Kingdom.
Clairvest-Yorkton Transition Capital Fund L.P. <sup>(4)</sup>	Private	71.4%	\$ –	\$ 2.0	Provides bridge financing to growth companies in the technology and health sciences industries.
Consolidated Vendors Corporation <sup>(5)</sup>	Private	17.2%	\$ 2.9	\$ 3.6	An independent vending operator in Michigan and Illinois, providing a full range of vended products.
Gateway Casinos Inc. <sup>(6)</sup>	Private	28.4%	\$ 24.0	\$ 30.0	A gaming management company that operates casinos in Western Canada.
NRI Industries Inc. <sup>(7)</sup>	Private	90.5%	\$ 17.6	\$ 25.2	The North American leader in converting tire-derived waste rubber into value-added manufactured products.
Signature Security Group Holdings Pty. Limited <sup>(8)</sup>	Private	43.8%	\$ 28.4	\$ 28.7	An electronic security company serving Australia and New Zealand.
Sparkling Spring Water Holdings Limited <sup>(9)</sup>	Private	14.7%	\$ 4.7	\$ 32.9	A purified water company serving customers in Canada, the United States and the United Kingdom.
<b>OTHER INVESTMENTS</b>			\$ 0.5	\$ 0.6	
<b>TOTAL INVESTMENTS</b>			\$ 102.2	\$ 150.1	

(1) Clairvest owns 4,675,670 common shares in Datamark. Clairvest received a total of \$12.0 million in tax-free dividends from Datamark to March 31, 2002, resulting in a net cash investment at March 31, 2002, of \$2.4 million. Subsequent to the March 31, 2002, year-end, Clairvest received additional tax-free dividends, further reducing Clairvest's net cash investment to \$2.0 million. Carrying value is based on the quoted market price.

(2) Clairvest owns 230,000 common shares, \$5.0 million of debentures and \$1.0 million of guarantee debentures. Carrying value is based on the quoted market price for the common shares, and accrued value for the debentures. Subsequent to year-end, Clairvest converted all of its debentures to preferred shares and invested an additional \$2.9 million in preferred shares.

(3) Clairvest owns 30,000 10% convertible Class B preferred shares in Allied. Carrying value is based on cost plus accrued dividends.

(4) Clairvest has committed to fund \$5.0 million to the Bridge Fund, \$1.5 million of which was funded at March 31, 2001, and returned to Clairvest during fiscal 2002. Carrying value is based on the underlying value of the loans and warrants held by the Bridge Fund.

(5) Clairvest owns 8,750 convertible Class A preferred shares, 9,250 convertible Class B preferred shares and 703 common shares in Consolidated Vendors. Carrying value is based on cost plus accrued dividends for the preferred shares and cost for the common shares, adjusted for foreign exchange.

(6) Clairvest owns 6.0 million common shares in Gateway Casinos. The common shares are carried at cost plus a \$6.0 million upward adjustment to the carrying value. Clairvest has received a total of \$4.3 million in taxable distributions from Gateway Casinos to March 31, 2002.

(7) Clairvest owns 86,000 common shares, 6.0 million Class A preferred shares, 2.0 million Class D preferred shares and 4.5 million Class E preferred shares in NRI. The common shares are carried at cost and the Class A, Class D and Class E preferred shares are carried at redemption value plus accrued dividends.

(8) Clairvest owns 214,866,491 ordinary shares in Signature through its wholly-owned subsidiary, Clairvest Group International (Netherlands) B.V., and has loans totalling \$8.2 million to Signature and to a special purpose corporate entity. Carrying value of the ordinary shares and loans is based on cost, adjusted for foreign exchange.

(9) Clairvest owns 1,377,507 common shares of Sparkling Spring. Carrying value is based on a third-party equity financing completed in fiscal 2002, adjusted for foreign exchange. As a result of the sale of Sparkling Spring shares during the year, Clairvest has recouped more than 100% of its initial investment in Sparkling Spring.

(10) Ownership percentage calculated on a fully diluted basis at March 31, 2002.

(11) Carrying value is calculated using the fair value method, under which the determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments, and cost for privately-held investments unless an upward adjustment is considered appropriate and supported by persuasive and objective evidence.

## Management's Discussion and Analysis

### ANALYSIS OF FINANCIAL RESULTS

Clairvest's consolidated financial statements are prepared using the fair value method of accounting. Under fair value accounting, each of Clairvest's investments are re-valued quarterly. Realized and unrealized changes in Clairvest's investments, as well as the tax effects of these changes, are reflected in the income statement. In the year of disposal of an investment, previously recognized unrealized gains (losses) are reversed, so as to recognize the full realized gain (loss) over original cost in the year of disposition. Under fair value accounting, Clairvest's financial statements do not reflect the earnings of its investment partners.

Privately-held investments are carried at cost, unless an adjustment is considered appropriate and supported by objective evidence, such as a significant third-party equity financing. The carrying value for Clairvest's publicly-traded investments is based on the quoted market price. This method of accounting requires careful judgement, and the actual realizations may vary from the values presented.

We believe that under fair value accounting, Clairvest's corporate investments are carried at an aggregate conservative value. While the value of certain privately-held investments may have increased, Clairvest will not adjust upward the carrying value of these investments unless there is sufficient persuasive and objective evidence to support such an adjustment. Additionally, we believe that because the value at which significant ownership positions are sold is often greater than the quoted market value, our publicly-traded investments are conservatively valued. The fair value method may result in volatility in Clairvest's financial results, as the values at which the publicly-traded investments are carried are subject to fluctuations in the public markets.

### OPERATING RESULTS

#### CONSOLIDATED STATEMENTS OF INCOME (LOSS) (\$000's)

Year ended March 31	2002	2001
<b>Net investment gains (losses)</b>		
Realized losses on investments (net)	\$ (3,970)	\$ –
Previously recognized unrealized losses (net)	2,836	–
Unrealized gains (losses) on investments (net)	24,105	(9,725)
	22,971	(9,725)
<b>Other income</b>		
Interest income	1,263	2,079
Dividend income	1,496	2,572
Management fees	2,901	173
Advisory and other fees	2,756	3,544
	8,416	8,368
Administration and other expenses	3,900	3,908
Income (loss) before income taxes	27,487	(5,265)
Provision for (recovery of) income taxes	4,508	(3,549)
<b>Net income (loss)</b>	<b>\$ 22,979</b>	<b>\$ (1,716)</b>

Clairvest's operating results reflect revenue realized from our corporate investments and from CEP, and unrealized appreciation and depreciation in the value of our corporate investments. These results are net of all costs incurred to manage these assets.

Net income for the year ended March 31, 2002, was \$23.0 million, versus a net loss of \$1.7 million for the year ended March 31, 2001.

There were realized losses of \$4.0 million in fiscal 2002, versus no realized gains/losses on investments in fiscal 2001. The loss in fiscal 2002 was made up primarily of a \$9.1 million loss on the sale of HealthCentral, net of a \$4.9 million gain on the sale of Sparkling Spring shares. Previously recognized unrealized losses in fiscal 2002 relate to unrealized losses on HealthCentral that were recognized in fiscal 2002 and in prior years, net of unrealized gains on the Sparkling Spring shares that were sold, that were recognized in fiscal 2002 and in prior years. When these investments were sold in fiscal 2002, the previously recognized unrealized gains and losses were reversed, and the full realized gain or loss over original cost was recognized at that time.

Clairvest had unrealized gains on investments of \$24.1 million for the year ended March 31, 2002, compared to unrealized losses of \$9.7 million for the year ended March 31, 2001. Unrealized gains/losses result from changes in the carrying value of the investments from one year to the next. The unrealized gains/losses on investments are summarized as follows:

## Management's Discussion and Analysis

### UNREALIZED GAINS (LOSSES) ON INVESTMENTS (\$000's)

Year ended March 31	2002	2001
<b>Investments in publicly-traded companies</b>		
Datamark Systems Group Inc.	\$ 7,699	\$ (4,638)
Voxcom Incorporated	(772)	(2,079)
	<b>6,927</b>	<b>(6,717)</b>
<b>Investments in privately-held companies</b>		
Allied Global Holdings Inc.	239	-
Clairvest-Yorkton Transition Capital Fund L.P.	553	1,589
Consolidated Vendors Corporation	1,025	970
Gateway Casinos Inc.	6,000	-
NRI Industries Inc.	1,175	1,247
Signature Security Group Holdings Pty. Limited	1,166	(9,305)
Sparkling Spring Water Holdings Limited	7,317	12,584
	<b>17,475</b>	<b>7,085</b>
<b>Other investments</b>	<b>(297)</b>	<b>(10,093)</b>
	<b>\$ 24,105</b>	<b>\$ (9,725)</b>

Further details on unrealized gains/losses on investments can be found in the discussion of Clairvest's corporate investments below.

Interest income in fiscal 2002 decreased to \$1.3 million from \$2.1 million in fiscal 2001. Dividend income of \$1.5 million for the year ended March 31, 2002 represented tax-free dividends earned from Datamark.

Net management fees in fiscal 2002 increased to \$2.9 million from \$173,000 in fiscal 2001. The management fees were earned as compensation for Clairvest's services in the administration of the portfolio of CEP. The increase over fiscal 2001 was as a result of management fees being earned for the full year in fiscal 2002 versus only one month in fiscal 2001.

Advisory and other fees decreased \$788,000 to \$2.8 million in fiscal 2002. During the year, Clairvest received one distribution from Gateway Casinos of \$1.4 million versus two distributions in fiscal 2001 totalling \$2.8 million. Included in advisory and other fees are \$480,000 of structuring fees earned by Clairvest during fiscal 2002.

Administration and other expenses of \$3.9 million in fiscal 2002 were consistent with fiscal 2001.

### FINANCIAL POSITION AND LIQUIDITY

#### CONSOLIDATED BALANCE SHEETS (\$000's)

As at March 31	2002	2001
<b>Assets</b>		
Cash and cash equivalents	\$ 4,064	\$ 7,829
Short-term investments	40,309	16,616
Accounts receivable and other assets	1,731	1,541
Corporate investments	150,124	129,164
	<b>\$ 196,228</b>	<b>\$ 155,150</b>
<b>Liabilities</b>		
Accounts payable	\$ 1,102	\$ 1,624
Future income taxes	8,884	5,193
	<b>9,986</b>	<b>6,817</b>
<b>Shareholders' equity</b>		
Share capital	112,452	95,652
Retained earnings	73,790	52,681
	<b>186,242</b>	<b>148,333</b>
	<b>\$ 196,228</b>	<b>\$ 155,150</b>

Clairvest has sufficient capital to support its current and anticipated new investments. In addition to cash and cash equivalents and short-term investments, Clairvest has a \$20 million credit facility with a Canadian chartered bank. The facility is unsecured and bears interest at the bank prime rate plus 0.5%. Clairvest had not drawn down on its line at March 31, 2002, except with respect to the guarantee provided by Clairvest to Voxcom. During fiscal 2002, Clairvest entered into an agreement to guarantee up to \$7.5 million of Voxcom's obligations to its lending

## Management's Discussion and Analysis

syndicate. To March 31, 2002, Clairvest had guaranteed \$3.45 million of Voxcom's obligations as part of this agreement. Clairvest's line of credit availability was decreased by the portion of the guarantee that was drawn down. In June 2002, Clairvest's guarantee was released, and its line of credit restored to the \$20 million limit.

Future income taxes increased \$3.7 million to \$8.9 million at March 31, 2002. The increase is as a result of future income taxes related to net unrealized gains on investments, and to previously recognized unrealized losses on investments.

Share capital increased \$16.8 million to \$112.5 million at March 31, 2002. The increase is as a result of the issuance of non-voting shares, through a private placement, for cash consideration of \$16.8 million.

As is typical of a merchant bank, Clairvest's main asset is its corporate investments. A discussion on each investment follows.

### DATAMARK SYSTEMS GROUP INC.

At March 31, 2002 Clairvest owned 4,675,670 common shares in Datamark Systems Group Inc. ("Datamark"), and held 20,000 options to acquire Datamark shares at \$2.02 per share. The shares in Datamark were carried at the quoted market price at March 31, 2002 and the options were valued at the difference between the exercise price and the quoted market price.

The carrying value of Clairvest's investment in Datamark increased \$7.7 million to \$16.6 million at March 31, 2002. The unrealized gain of \$7.7 million resulted from the increase in share price from \$1.91 per share at March 31, 2001 to \$3.55 per share at March 31, 2002. Clairvest recorded an unrealized loss of \$4.6 million for the year ended March 31, 2001, as a result of movements in the quoted market price from \$2.90 per share to \$1.91 per share.

The carrying value of \$16.6 million at March 31, 2002, compares to a cost of \$14.4 million. It is important to note that at March 31, 2002, Clairvest had received back \$12.0 million, by way of tax-free dividends, of the \$14.4 million it had invested in Datamark. Clairvest received further dividends of \$0.4 million subsequent to year-end, increasing total tax-free dividends received to \$12.4 million.

### VOXCOM INCORPORATED

At March 31, 2002, Clairvest owned 230,000 common shares in Voxcom, \$5.0 million of debentures that are due July 18, 2002, and \$1.0 million of guarantee debentures that are due July 14, 2002. Clairvest also held 10,000 options to acquire Voxcom shares at \$3.25 per share, 200,000 options to acquire Voxcom shares at \$1.95 per share, 1,898,734 warrants to acquire Voxcom shares at \$3.95 per share, 3,813,631 warrants to acquire Voxcom shares at \$1.80 per share, and Clairvest participates in an additional 10,000 options. The shares in Voxcom were carried at the quoted market price at March 31, 2002, the debentures and guarantee debentures were valued at accrued value and the options and warrants were valued at the difference between the exercise price and the quoted market price.

The carrying value of Clairvest's investment in Voxcom decreased \$400,000 to \$7.3 million at March 31, 2002. The decrease is made up primarily of an unrealized loss of \$772,000, net of the acquisition of the guarantee debenture at a cost of \$375,000. The unrealized loss of \$772,000 is as a result of the decrease in share price from \$3.50 per share at March 31, 2001, to \$0.70 per share at March 31, 2002. Clairvest recorded an unrealized loss of \$2.1 million for the year ended March 31, 2001, as a result of movements in the quoted market price from \$4.50 per share to \$3.50 per share.

The carrying value of \$7.3 million at March 31, 2002, compares to a cost of \$6.7 million.

### ALLIED GLOBAL HOLDINGS INC.

During the year, Clairvest acquired 30,000 10% convertible Class B preferred shares in Allied. At March 31, 2002, the preferred shares were carried at cost plus accrued dividends.

The carrying value of \$3.2 million at March 31, 2002, compares to a cost of \$3.0 million. The unrealized gain of \$239,000 is as a result of cumulative dividends on the preferred shares.

### CLAIRVEST-YORKTON TRANSITION CAPITAL FUND L.P.

During fiscal 2001, Clairvest funded \$1.5 million of its \$5.0 million capital commitment to the Bridge Fund. During fiscal 2002, the funded capital was returned to Clairvest. At March 31, 2002, the investment in the Bridge Fund was carried at the underlying value of the warrants held by the Bridge Fund. The warrants were valued at the difference between the exercise price and the quoted market price.

The carrying value of Clairvest's investment in the Bridge Fund decreased \$1.1 million to \$2.0 million at March 31, 2002. The decrease is made up primarily of the return of funded capital of \$1.5 million, net of an unrealized gain of \$553,000. The unrealized gain of \$553,000 is as a result of movements in the price of the shares underlying the warrants held by the Bridge Fund. Clairvest recorded an unrealized gain of \$1.6 million for the year ended March 31, 2001 as a result of movements in the price of the underlying shares of the warrants held by the Bridge Fund.

The carrying value of \$2.0 million at March 31, 2002, compares to a cost of nil. Subsequent to year-end, the Bridge Fund changed its name to Wellington Financial L.P.

## Management's Discussion and Analysis

### CONSOLIDATED VENDORS CORPORATION

At March 31, 2002, Clairvest owned 8,750 10% convertible Class A preferred shares, 9,250 10% convertible Class B preferred shares and 703 common shares in Consolidated Vendors. At March 31, 2002, the preferred shares were carried at cost plus accrued dividends and the common shares at cost.

The carrying value of Clairvest's investment in Consolidated Vendors decreased \$4.6 million to \$3.6 million at March 31, 2002. The decrease consists primarily of the sale of shares of Consolidated Vendors to CEP for \$5.7 million, the repayment of the US\$500,000 debenture owing to Clairvest by Consolidated Vendors and the acquisition of Class B preferred shares for \$1.7 million. The \$1.0 million unrealized gain on Consolidated Vendors relates to the sale of shares to CEP. The sale was between related parties, and the \$1.0 million gain on the sale, which resulted from dividends that had accrued on the shares, was therefore not recognized as realized gains, but rather as unrealized gains. Clairvest recorded an unrealized gain of \$1.0 million for the year ended March 31, 2001, as a result of cumulative dividends on the preferred shares and foreign exchange movements.

The carrying value of \$3.6 million at March 31, 2002, compares to a cost of \$2.9 million.

The sale of Consolidated Vendors shares to CEP brought the respective ownership interests in line with Clairvest and CEP's pro rata commitments. Clairvest has guaranteed any loss CEP may incur on the investment acquired from Clairvest.

Subsequent to year-end, Clairvest purchased the senior bank debt of Consolidated Vendors for \$11.0 million, representing a significant discount to its face value.

### GATEWAY CASINOS INC.

At March 31, 2002, Clairvest owned 6.0 million common shares in Gateway Casinos Inc. ("Gateway Casinos"). At March 31, 2002, the shares in Gateway Casinos were carried at cost plus a \$6.0 million upward adjustment, which management determined was appropriate in light of Gateway Casinos' improved operations, an improving regulatory environment and recent transactions in the industry.

The carrying value of \$30.0 million at March 31, 2002, compares to a cost of \$24.0 million. During the year, Clairvest received \$1.4 million in taxable distributions from Gateway Casinos, bringing total distributions to \$4.3 million.

### NRI INDUSTRIES INC.

At March 31, 2002, 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 Industries Inc. ("NRI"). Clairvest also had an option to acquire an additional 8,000 common shares of NRI from another shareholder, at an exercise price of US\$2.8 million. The option expired, unexercised, on June 3, 2002. At March 31, 2002, the common shares were carried at cost, the Class A, Class D and Class E preferred shares were carried at their redemption values plus accrued dividends and the option was carried at nil.

The carrying value of Clairvest's investment in NRI increased \$1.2 million to \$25.2 million at March 31, 2002, and by a similar amount in the year ended March 31, 2001. The unrealized gain of \$1.2 million in both years is as a result of cumulative dividends on the preferred shares and the effects of foreign exchange movements on the Class D preferred shares, which are redeemable in US dollars.

The carrying value of \$25.2 million at March 31, 2002, compares to a cost of \$17.6 million.

### SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED

At March 31, 2002, Clairvest owned 214,866,491 ordinary shares in Signature through its wholly-owned subsidiary, Clairvest Group International (Netherlands) B.V. Clairvest also held loans totalling \$8.2 million to Signature and to Equity SPV Pty. Limited ("SPV"). SPV is a special purpose corporate entity formed to facilitate the loaning of these funds to Signature. At March 31, 2002, the ordinary shares and loans were carried at cost.

The carrying value of Clairvest's investment in Signature increased \$8.3 million to \$28.7 million at March 31, 2002. The increase is made up primarily of the \$8.2 million in loans made during the year and an unrealized gain of \$1.2 million, net of the proceeds of \$825,000 on the rolling of foreign exchange forward contract hedges on the investment. The unrealized gain of \$1.2 million is as a result of movements in foreign exchange on the unhedged portion of the investment. Clairvest recorded an unrealized loss of \$9.3 million for the year ended March 31, 2001, as a result of a \$7.4 million downward adjustment to the carrying value of the investment and movements in foreign exchange.

The carrying value of \$28.7 million at March 31, 2002, compares to a cost of \$28.4 million.

## Management's Discussion and Analysis

### SPARKLING SPRING WATER HOLDINGS LIMITED

At March 31, 2002, Clairvest owned 1,377,507 common shares in Sparkling Spring and warrants to acquire 26,920 common shares at US\$7.73 per share. The shares in Sparkling Spring were carried at US\$14.82 per share based on a third-party equity financing that took place in fiscal 2002. The options were carried at the difference between the exercise price and US\$14.82.

The carrying value of Clairvest's investment in Sparkling Spring increased \$1.0 million to \$32.9 million at March 31, 2002. The increase is made up primarily of an unrealized gain of \$7.3 million, net of the sale of 342,173 common shares for total proceeds of \$6.1 million. The unrealized gain of \$7.3 million is as a result of a write-up of the investment from US\$11.69 per share to US\$14.82 per share based on the third-party equity financing. Clairvest recorded an unrealized gain of \$12.6 million for the year ended March 31, 2001, as a result of a write-up due to a third-party equity financing.

The carrying value of \$32.9 million at March 31, 2002, compares to a cost of \$4.7 million. The sale of Sparkling Spring shares during the year resulted in Clairvest recouping more than 100% of the capital it had originally invested in Sparkling Spring, while continuing to hold a 14.7% interest on a fully diluted basis.

### RISK MANAGEMENT

The merchant banking business is about accepting risk for return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates.

Clairvest manages the risk associated with its corporate investment portfolio through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and active involvement with existing investments.

Clairvest has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in Australia and in the United States. In order to limit our exposure to changes in the value of the United States and Australian dollars relative to the Canadian dollar, Clairvest has hedged between 50% and 100% of the cost of some of its foreign investments.

Clairvest has some exposure to the financial markets, as approximately 16% of the carrying value of Clairvest's investments at March 31, 2002, was in publicly-traded companies. Clairvest is a value investor and focuses on the intrinsic value related to the specific company's outlook and therefore attempts to act independently of the overall valuation by the market. The entry multiples for its public holdings have generally been less than for other public companies in the same industries and therefore these holdings have a value cushion in the event of any general market value fluctuations such as have been seen this year.

Fluctuations in interest rates affect Clairvest's income derived from cash, cash equivalents and short-term investments. It is the Company's policy to invest these amounts in securities that are highly rated by recognized rating agencies.

### OUTLOOK

During the first quarter of 2003 Clairvest worked on significant transactions with its existing investee partners, including the recapitalization of Voxcom, Clairvest's purchase of Consolidated Vendors' senior bank debt and Gateway Casinos' two acquisitions. These transactions will enhance the future prospects of the respective companies. Clairvest continues to work closely with our investee partners to enhance their value propositions.

During fiscal 2002, Clairvest and CEP made their first joint investment, in Allied, and during fiscal 2003 made another new investment in Van-Rob. During the remainder of fiscal 2003 Clairvest will continue to focus on actively pursuing investment opportunities. Clairvest's domain-based research has identified several very attractive industries, and Clairvest is currently in the process of negotiating with companies within those industries that fit the investment criteria. At March 31, 2002, Clairvest had \$44 million in cash and \$143 million of additional capital through CEP to fund new investments.

## Consolidated Financial Statements

### Consolidated Balance Sheets

As at March 31

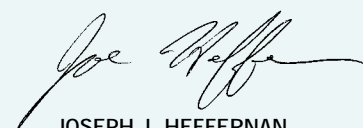
\$000's	2002	2001
<b>ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 4,064	\$ 7,829
Short-term investments (Note 4)	40,309	16,616
Accounts receivable and other assets (Note 5a)	1,731	1,541
Corporate investments (Note 6)	150,124	129,164
	<b>\$ 196,228</b>	<b>\$ 155,150</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,102	\$ 1,624
Future income taxes (Note 8)	8,884	5,193
	<b>9,986</b>	<b>6,817</b>
Commitments and contingencies (Notes 6b, 10 and 11)		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	112,452	95,652
Retained earnings	73,790	52,681
	<b>186,242</b>	<b>148,333</b>
	<b>\$ 196,228</b>	<b>\$ 155,150</b>

(see accompanying notes to consolidated financial statements)

On behalf of the Board:



**PHILIP S. ORSINO**  
Director



**JOSEPH J. HEFFERNAN**  
Director

## Consolidated Financial Statements

### Consolidated Statements of Income (Loss)

For the years ended March 31

\$000's (except per share information)	2002	2001
<b>NET INVESTMENT GAINS (LOSSES)</b>		
Realized losses on investments (net)	\$ (3,970)	\$ -
Previously recognized unrealized losses (net) (Note 2e)	2,836	-
Unrealized gains (losses) on investments (net)	24,105	(9,725)
	<b>22,971</b>	<b>(9,725)</b>
<b>OTHER INCOME</b>		
Interest income (Notes 5b and 5d)	1,263	2,079
Dividend income (Note 5d)	1,496	2,572
Management fees (Note 5c)	2,901	173
Advisory and other fees (Note 5d)	2,756	3,544
	<b>8,416</b>	<b>8,368</b>
Administration and other expenses (Note 5e)	3,900	3,908
Income (loss) before income taxes	27,487	(5,265)
Provision for (recovery of) income taxes (Note 8)	4,508	(3,549)
Net income (loss)	\$ 22,979	\$ (1,716)
Net income (loss) per share	\$ 1.15	\$ (0.09)
Fully diluted net income (loss) per share	\$ 1.11	\$ (0.09)

(see accompanying notes to consolidated financial statements)

### Consolidated Statements of Retained Earnings

For the years ended March 31

\$000's	2002	2001
Retained earnings, beginning of year	\$ 52,681	\$ 56,267
Net income (loss)	22,979	(1,716)
	<b>75,660</b>	<b>54,551</b>
Dividends	(1,870)	(1,870)
Retained earnings, end of year	\$ 73,790	\$ 52,681

(see accompanying notes to consolidated financial statements)

## Consolidated Financial Statements

## Notes to Consolidated Financial Statements

March 31, 2002 and 2001 (tabular dollar amounts in thousands)

### Consolidated Statements of Cash Flow

For the years ended March 31

\$000's	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 22,979	\$ (1,716)
Add (deduct) items not involving a current cash outlay		
Amortization	69	59
Future income taxes	3,691	(4,996)
Realized losses on investments (net)	3,970	-
Previously recognized unrealized losses (net)	(2,836)	-
Unrealized losses (gains) on investments (net)	(24,105)	9,725
Non-cash income relating to corporate investments	-	(683)
	3,768	2,389
Net change in non-cash working capital balances related to operations	(781)	18
	2,987	2,407
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of non-voting shares (Note 9)	16,800	-
Dividends	(1,870)	(1,870)
	14,930	(1,870)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Short-term investments, net	(23,693)	4,064
Acquisition of corporate investments	(14,072)	(2,102)
Proceeds on sale of corporate investments	12,564	-
Proceeds on realization of foreign exchange forward contracts	1,053	1,828
Return of capital from corporate investments	2,466	75
Purchase of other assets	-	(282)
	(21,682)	3,583
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,765)</b>	<b>4,120</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>7,829</b>	<b>3,709</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 4,064</b>	<b>\$ 7,829</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash taxes paid	\$ 1,757	\$ 792
Cash interest paid	\$ -	\$ -

(see accompanying notes to consolidated financial statements)

#### 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 that 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 that are traded on a recognized exchange but that 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 forms of investment instruments

Included in Clairvest's corporate investments are certain instruments that 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 for public companies are valued at the difference between the exercise price and the quoted market price.
- Options and warrants for private companies are valued at the difference between the exercise price and the carrying value of the underlying shares.
- 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 adjustment in valuation. The amounts at which Clairvest's publicly-traded investments could be disposed of currently may differ from the 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. Management fees and advisory and other fees are recorded as revenue on an accrual basis when the services are performed. Dividend income is recorded on the ex-dividend date.

(f) INCOME TAXES

The Company records income tax expense using the liability method of tax allocation. 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 that are expected to be in effect when the asset or liability is settled.

(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

In fiscal 2002, the Company retroactively adopted the new recommendations of the Canadian Institute of Chartered Accountants' Section 3500, *Earnings per Share*. Pursuant to the new recommendations, basic earnings per share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding during the year. The adoption of the new recommendation had no effect on 2001 basic and fully diluted earnings per share, or on 2002 basic earnings per share. 2002 fully diluted earnings per share was \$0.03 higher as a result of the adoption of the new recommendation.

(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 consists of only highly liquid investments with maturities of less than 90 days from the date of acquisition. Cash equivalents are consists 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 at the date of acquisition between 90 days and one year and consist of high quality corporate notes and debentures. The yield on these investments ranges between 2.1% and 11.6% (2001 – between 5.7% and 8.0%) with a weighted average yield thereon of 4.0% (2001 – 6.4%). Short-term investments have realizable values that approximate the carrying values due to their short-term nature.

### 5. RELATED PARTY TRANSACTIONS

- (a) Share purchase loans made to certain officers of the Company totalling \$464,000 (2001 – \$669,000) 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 \$510,000 (2001 – \$443,000). Also included in accounts receivable and other assets are receivables from Clairvest's corporate investments totalling \$743,000 (2001 – \$405,000) and from Clairvest Equity Partners Limited Partnership ("CEP") totalling \$12,000 (2001 – \$34,000).
- (b) Loans, including non-interest bearing loans and loans bearing interest at the prime rate, were made by the Company to CEP during fiscal 2002 and were repaid during the year. Interest of \$23,000 (2001 – nil) was received from CEP during fiscal 2002.
- (c) During fiscal 2001 Clairvest entered into a Management Agreement with the General Partner of CEP, a wholly-owned subsidiary of Clairvest, appointing Clairvest as the Manager of CEP. The Management Agreement provides that a management fee be paid to Clairvest as compensation

for its services in the administration of the portfolio of CEP. The fee is calculated annually as 2% of committed capital until the fifth anniversary of the last closing of CEP, and thereafter 2% of contributed capital of CEP less distributions on account of capital and any write-downs of capital invested. The management fee is reduced to the extent of 75% of any fees earned by Clairvest from corporate investments of CEP. During fiscal 2002, CEP paid Clairvest net management fees of \$2.9 million (2001 – \$173,000) as compensation for its services in the administration of the portfolio of CEP.

- (d) During fiscal 2002 Clairvest received \$27,000 (2001 – \$627,000) in interest, \$1,496,000 (2001 – \$2,572,000) in dividends and \$2,756,000 (2001 – \$3,537,000) in advisory and other fees from its corporate investments.

- (e) Included in administration and other expenses are fees in respect of certain office and overhead expenses in an aggregate amount of \$150,000 (2001 – \$320,000) paid to a company controlled by certain shareholders of the Company.

- (f) The General Partner of CEP is entitled to participate in distributions made by CEP after the Limited Partners have received distributions from CEP equal to the sum of (a) their contributed capital, and (b) a return equal to 6% per annum compounded annually. To date, CEP has not made any distributions.

### 6. CORPORATE INVESTMENTS

	2002			2001		
	Carrying value	Cost	Difference	Carrying value	Cost	Difference
<b>Investments in publicly-traded companies</b>						
Datamark Systems Group Inc.	\$ 16,629	\$ 14,421	\$ 2,208	\$ 8,931	\$ 14,421	\$ (5,490)
Voxcom Incorporated	7,304	6,664	640	7,701	6,289	1,412
	23,933	21,085	2,848	16,632	20,710	(4,078)
<b>Investments in privately-held companies</b>						
Allied Global Holdings Inc.	3,239	3,000	239	–	–	–
Clairvest-Yorkton Transition Capital Fund L.P.	1,993	–	1,993	3,082	1,493	1,589
Consolidated Vendors Corporation	3,615	2,896	719	8,221	6,625	1,596
Gateway Casinos Inc.	30,000	24,000	6,000	24,000	24,000	–
NRI Industries Inc.	25,227	17,613	7,614	24,052	17,613	6,439
Signature Security Group Holdings Pty. Limited	28,738	28,421	317	20,401	20,401	–
Sparkling Spring Water Holdings Limited	32,864	4,717	28,147	31,850	5,889	25,961
	125,676	80,647	45,029	111,606	76,021	35,585
<b>Other investments</b>	515	515	–	926	9,578	(8,652)
	\$ 150,124	\$ 102,247	\$ 47,877	\$ 129,164	\$ 106,309	\$ 22,855

- (a) DATAMARK SYSTEMS GROUP INC. ("DATAMARK")  
Datamark is a business document management company with operations in Canada and the United States. At March 31, 2002 Clairvest owned 4,675,670 (2001 – 4,675,670) common shares of Datamark, representing 36.5% (2001– 36.7%) interest on a fully diluted basis.  
At March 31, 2002 and 2001, Clairvest also held 20,000 options to acquire Datamark shares at \$2.02 per share. These options vest over five years from the grant date, being October 1999.  
The shares in Datamark are carried at the quoted market price at March 31, 2002 and 2001. Since the inception of the investment, Clairvest has received a total of \$12.0 million in cash dividends, which have been accounted for as income.
- (b) VOXCOM INCORPORATED ("VOXCOM")  
Voxcom is an Edmonton-based electronic security alarm monitoring company operating throughout Canada. At March 31, 2002, Clairvest owned 230,000 (2001 – 230,000) common shares, \$5.0 million (2001 – \$5.0 million) of debentures that are due July 18, 2002, and \$1.0 million (2001 – nil) of guarantee debentures that are due July 14, 2002. \$3.0 million of debentures bore interest at 8% per annum until July 18, 2001, and bear interest at 14% thereafter, and the remaining \$2.0 million of debentures bore interest at 8% per annum until December 20, 2000, were non-interest bearing from December 20, 2000 to July 18, 2001, and bear interest at 14% thereafter. If the debentures were converted, Clairvest would own 45.2% (2001 – 27.4%) on a fully diluted basis.  
During fiscal 2002, Clairvest entered into an agreement to guarantee up to \$7.5 million of Voxcom's obligations to its lending syndicate. Clairvest receives a fee equal to 25% of each amount guaranteed, such fee being secured by a guarantee debenture, with interest payable at 25% per annum in additional guarantee debentures. As at March 31, 2002, Clairvest had guaranteed \$3.45 million of Voxcom's obligations.

Clairvest also holds 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 existing options are exercised and (ii) \$7.45 per share. As part of Clairvest's agreement to guarantee a portion of Voxcom's indebtedness, Clairvest also received 200,000 options to acquire Voxcom shares at \$1.95 per share and 1,898,734 warrants to acquire Voxcom shares at \$3.95 per share. These options and warrants vested May 31, 2001. Also during fiscal 2002, Clairvest received 3,813,631 warrants to acquire Voxcom shares at \$1.80 per share.

Clairvest carries its investment in Voxcom common shares at the quoted market price at March 31, 2002, and 2001. The debentures and guarantee debentures were carried at accrued value at March 31, 2002, and at the quoted market price at March 31, 2001, based on the common shares Clairvest would own assuming conversion of the debentures.

(c) ALLIED GLOBAL HOLDINGS INC. ("ALLIED GLOBAL")

Allied Global is an international accounts receivable management firm with operations across Canada, the United States and the United Kingdom. At March 31, 2002, Clairvest owned 30,000 10% convertible Class B preferred shares in Allied Global, which were acquired during fiscal 2002 for \$3.0 million. Clairvest's ownership on a fully diluted basis was 8.4% at March 31, 2002.

The shares in Allied Global are carried at cost at March 31, 2002. Cumulative dividends are included in the carrying value of these shares.

(d) CLAIRVEST-YORKTON TRANSITION CAPITAL FUND L.P. ("THE BRIDGE FUND")

The Bridge Fund provides 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. The funded capital had been returned to Clairvest as at March 31, 2002. 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.

(e) CONSOLIDATED VENDORS CORPORATION ("CONSOLIDATED VENDORS")

Consolidated Vendors is an independent vending operator in the US Midwest. At March 31, 2002, Clairvest owned 8,750 (2001 – 35,000) 10% convertible Class A preferred shares, 9,250 (2001 – nil) 10% convertible Class B preferred shares and 703 (2001 – 2,813) common shares in Consolidated Vendors.

At March 31, 2001, Clairvest also held a US\$500,000 subordinated debenture in Consolidated Vendors, bearing interest at 20%. The debenture and interest were repaid during fiscal 2002. During fiscal 2002, Clairvest purchased 11,099 Class B preferred shares for \$1.7 million. Also during fiscal 2002, Clairvest sold 2,110 common shares, 26,250 Class A preferred shares and 1,849 Class B preferred shares in Consolidated Vendors to CEP for \$5.7 million. This transaction was between related parties and was accounted for at the carrying amounts. The common shares and Class B preferred shares were sold for Clairvest's original cost, and the Class A preferred shares for Clairvest's accrued value of the shares. The \$1.0 million of accrued dividends on the Class A preferred shares sold to CEP that was previously recorded through unrealized gains on investments remains in unrealized gains on investments. Clairvest's ownership on a fully diluted basis was 17.2% (2001 – 57.9%) at March 31, 2002.

The shares in Consolidated Vendors are carried at cost and converted into Canadian dollars, after giving effect to the related foreign exchange forward contract hedge thereon (see note 10b). Cumulative dividends are included in the carrying value of these shares.

(f) GATEWAY CASINOS INC. ("GATEWAY CASINOS")

Gateway Casinos is a gaming management company operating casinos in Western Canada. At March 31, 2002, Clairvest owned 6.0 million (2001 – 6.0 million) common shares in Gateway Casinos, representing a 28.4% (2001 – 28.4%) interest on a fully diluted basis.

At March 31, 2002, the shares in Gateway Casinos were carried at cost plus a \$6.0 million upward adjustment to the carrying value of the investment. At March 31, 2001, the shares in Gateway Casinos were carried at cost.

(g) NRI INDUSTRIES INC. ("NRI")

NRI converts tire-derived waste rubber into value-added manufactured products. At March 31, 2002, and March 31, 2001, 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 held an option 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, 2002, was 90.5% (2001 – 90.5%).

The Class A preferred shares bear a cumulative dividend rate of 6.5% per annum commencing September 1, 1998, and are redeemable for \$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 bear a cumulative dividend 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, 2002 and 2001. Cumulative dividends on the Class A, Class D and Class E preferred shares are included in the carrying value of these shares.

(h) SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED ("SIGNATURE")

Signature is an electronic security company serving Australia and New Zealand. At March 31, 2002, Clairvest owned 214,866,491 (2001 – 274,758) ordinary shares in Signature, through its wholly-owned subsidiary, Clairvest Group International (Netherlands) B.V. ("BV"). Clairvest's indirect ownership on a fully diluted basis at March 31, 2002, was 43.8% (2001 – 33.8%).

During fiscal 2002, BV acquired 214,591,733 ordinary shares in Signature as part of a recapitalization of Signature. Also as part of the recapitalization, Clairvest loaned amounts totalling \$8.2 million to Signature and to Equity SPV Pty. Limited ("SPV"). SPV is a special purpose corporate entity formed to facilitate the loaning of the above-noted funds to Signature by the shareholders of Signature. The loans bear interest either at (i) the net cash interest earned by SPV, (ii) prime plus 5% or (iii) the net cash interest earned by SPV plus prime plus 5%. Interest at prime plus 5% is due and payable when Signature's senior debt is repaid and interest at the net cash interest earned by SPV is due and payable when earned. The loans are due December 31, 2002.

At March 31, 2002, the ordinary shares and loans are carried at cost, converted to Canadian dollars, after giving effect to the related foreign exchange forward contract hedge thereon (see note 10b). Prior to the recapitalization, at March 31, 2001, the ordinary shares were 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, and net of a \$7.4 million reserve against the value of the investment.

(i) 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. At March 31, 2002, Clairvest owned 1,377,507 (2001 – 1,719,680) common shares in Sparkling Spring. Clairvest also holds 26,920 (2001 – 26,920) warrants to acquire common shares at US\$7.73 per share. Clairvest's ownership on a fully diluted basis at March 31, 2002, was 14.7% (2001 – 24.2%).

During fiscal 2002 Clairvest sold 342,173 common shares in Sparkling Spring for total proceeds of \$6.1 million.

The shares in Sparkling Spring are carried at US\$14.82 per share based on a third-party equity financing completed in fiscal 2002. At March 31, 2001, the shares were carried at US\$11.69 per share based on a third-party equity financing completed in fiscal 2001.

## 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 January 1 of each year. The prime rate at March 31, 2002, was 3.75% (2001 – 6.75%). Clairvest's line of credit is decreased by the drawdown portion of the guarantee provided by Clairvest to Voxcom (see note 11c). The line of credit available at year end is \$16.55 million.

## 8. INCOME TAXES

Provision for (recovery of) income taxes consists of the following:

	2002	2001
Current income tax expense	\$ 817	\$ 1,447
Future income tax expense (recovery) relating to origination and reversal of temporary differences	4,478	(2,854)
Future income tax recovery resulting from rate change	(787)	(2,142)
Provision for (recovery of) income taxes	\$ 4,508	\$ (3,549)

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

	2002	2001
Income (loss) before income taxes	\$ 27,487	\$ (5,265)
Statutory Canadian income tax rate	40.9%	43.3%
Statutory Canadian income taxes	11,242	(2,280)
Non-taxable dividends received	(611)	(1,114)
Non-taxable portion of net investment losses (gains)	(4,698)	2,105
Accrued capital loss not benefited (benefited)	(1,071)	311
Expenses not deductible for tax purposes	21	21
Future income tax recovery resulting from rate change	(787)	(2,142)
Other	412	(450)
	\$ 4,508	\$ (3,549)

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

## 9. 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

10,000,000 non-voting shares

Issued and outstanding	2002	2001
Common shares – 18,697,590 (2001 – 18,697,590)	\$ 95,652	\$ 95,652
Non-voting shares – 2,230,954 (2001 – nil)	16,800	–
	\$ 112,452	\$ 95,652

On August 21, 2001, the Company issued, for cash consideration of \$16.8 million, 2,230,954 non-voting shares through a private placement. The non-voting shares are convertible to common shares commencing August 21, 2011, at a ratio based on the book value and the trading price of the common shares at that time. The non-voting shares rank equally with the common shares with respect to dividends. The non-voting shares rank equally with the common shares on liquidation, subject to a \$0.01 preference per non-voting share.

The weighted average numbers of common and non-voting shares outstanding during fiscal 2002 were 18,697,590 and 1,356,909 respectively, for a total of 20,054,499 (2001 – 18,697,590 and nil respectively). The weighted average number of fully diluted shares outstanding during fiscal 2002 was 20,611,508 (2001 – 18,697,590). There was no difference between basic and fully diluted shares outstanding in 2001 as the stock options were anti-dilutive.

The difference between the basic and fully diluted earnings per share computations for 2002 consists of the following:

For the year ended March 31, 2002	Net income	Number of shares	Per share amount
Basic earnings per share	\$ 22,979	20,054	\$ 1.15
Effect of dilutive securities			
Convertible non-voting shares	–	517	
Stock options	–	41	
	\$ 22,979	20,612	\$ 1.11

915,000 outstanding stock options are not included in the calculation of fully diluted earnings per share as they are anti-dilutive.

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 as of March 31, 2002, and 2001 and changes during the years ending on those dates is presented below:

	Number of options	Weighted average exercise price
Options outstanding, March 31, 2000	1,651,500	\$ 6.81
Options granted	97,500	4.38
Options forfeited	(75,000)	5.00
Options outstanding, March 31, 2001	1,674,000	6.75
Options granted	125,000	4.80
Options forfeited	(293,000)	7.85
Options outstanding, March 31, 2002	1,506,000	\$ 6.37
Options exercisable, March 31, 2002	1,103,200	\$ 6.55

The following table summarizes information about stock options outstanding at March 31, 2002:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding at March 31, 2002	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2002	Weighted average exercise price
\$4.00 to \$4.99	216,000	8.9 years	\$ 4.62	18,200	\$ 4.38
\$5.00 to \$5.99	460,000	2.4 years	5.16	415,000	5.08
\$7.00 to \$7.99	760,000	4.3 years	7.39	620,000	7.42
\$8.00 to \$8.99	70,000	6.3 years	8.70	50,200	8.70
	1,506,000			1,103,200	

## 10. FINANCIAL INSTRUMENTS

### (a) FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents, short-term investments, accounts receivable and other assets and accounts payable have fair values that equal their carrying values due to their short-term nature.

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, 2002, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

(i) Forward contracts to sell AUS\$28.0 million (2001 – AUS\$19.0 million) at rates of Canadian \$0.7647 to \$0.8209 per Australian dollar through March 2003 (average rate of \$0.7807, 2001 average rate of \$0.8370). The fair value of these contracts at March 31, 2002, is (\$2.0 million) (2001 – \$1.4 million); and

(ii) Forward contracts to sell US\$2.9 million (2001 – US\$5.7 million) at rates of Canadian \$1.5888 to \$1.5936 per US dollar through February 2003 (average rate of \$1.5923, 2001 average rate of \$1.5018). The fair value of these contracts at March 31, 2002, is (\$7,600) (2001 – (\$1.2 million)).

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 counterparty on its obligation to the Company. Clairvest mitigates this risk by contracting only with Schedule 1 Canadian chartered banks.

## 11. CONTINGENCIES AND COMMITMENTS

(a) Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is \$54.7 million, of which \$5.9 million has been funded to March 31, 2002. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if it, as manager of CEP, concurrently sells a proportionate number of securities of that corporate investment held by CEP.

(b) During fiscal 2002, Clairvest sold certain shares of Consolidated Vendors to CEP for \$5.7 million. Clairvest has guaranteed to compensate CEP for any deficiency between (i) CEP's purchase price for these shares and (ii) the amount CEP receives from its investment in these shares, including proceeds of disposition and other amounts.

(c) During fiscal 2002 Clairvest entered into an agreement to guarantee up to \$7.5 million of Voxcom's obligations to its lending syndicate by way of letter of credit. As of March 31, 2002, Clairvest had guaranteed \$3.45 million of Voxcom's obligation as part of this agreement.

## 12. SUBSEQUENT EVENTS

Subsequent to year-end, Clairvest purchased the senior bank debt of Consolidated Vendors for \$11.0 million, and loaned an additional \$470,000 to Consolidated Vendors.

Subsequent to year-end, Clairvest received dividends of \$187,000 from Datamark.

## 13. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2002 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, consisting 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

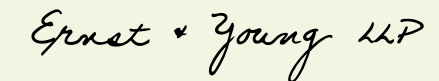
## Auditors' Report

To the Shareholders of Clairvest Group Inc.

We have audited the consolidated balance sheets of Clairvest Group Inc. as at March 31, 2002 and 2001 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, 2002, and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Canada  
May 31, 2002

Chartered Accountants

## Shareholder Information

As at, and for the year ended, March 31, 2002

### SHAREHOLDER COMMUNICATION

Clairvest has both the obligation and desire to provide its shareholders with full and continuous disclosure, on a timely basis, throughout the fiscal year. As the complexity of Clairvest's portfolio has increased, we are increasing the extent of disclosure in order to aid understanding. Annual and quarterly reports are provided as part of this process and the company releases information on material events through the press, as required. Further disclosure can be found on the company's website, [www.clairvest.com](http://www.clairvest.com).

### VALUATION MEASURES

Clairvest's focus is on building the long-term value of its investments. Fair value accounting allows Clairvest to reflect changes in the value of our investments in the carrying value. The fair value method, however, is not without limitations. Clairvest's investments are often carried at values which may vary from the actual realizations.

### OUTSTANDING SECURITIES

Share structure:	Common Shares and Non-Voting Shares
Shares outstanding: <sup>(1)</sup>	20,928,544
Public float: <sup>(1,2)</sup>	8,695,263
Market capitalization: <sup>(1)</sup>	\$111,250,661
Market value of public float: <sup>(1,2)</sup>	\$ 51,736,815
Stock market:	Toronto Stock Exchange
Stock symbol:	CVG

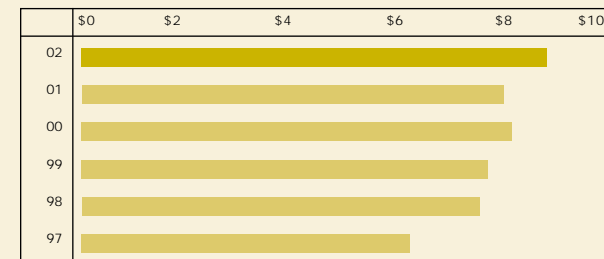
(1) As at June 30, 2002

(2) Excludes holders of 10% or more of the outstanding common shares

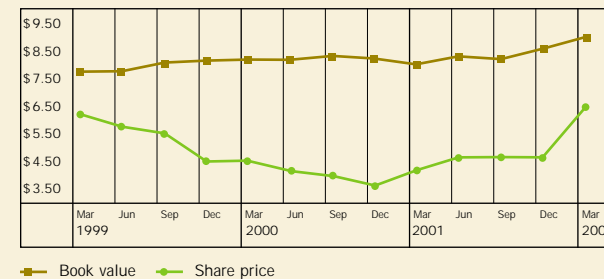
### DIVIDEND INFORMATION

Clairvest has consistently paid a dividend over the last fourteen years. Over the last ten years the annual dividend has been \$0.10 per common share. It is Clairvest's current intention to continue this dividend practice.

### BOOK VALUE PER SHARE



### SHARE PRICE VS BOOK VALUE PER SHARE



### SHARE TRADING VOLUME

Common Shares	High	Low	Close	Volume
Year to March 31, 2002				
First Quarter	4.95	3.50	4.70	123,769
Second Quarter	5.85	4.25	4.75	301,713
Third Quarter	5.00	4.50	4.70	45,480
Fourth Quarter	6.95	4.70	6.45	278,655
Year to March 31, 2001				
First Quarter	4.50	3.70	4.26	254,866
Second Quarter	4.75	3.80	4.00	423,738
Third Quarter	4.15	3.25	3.65	1,072,940
Fourth Quarter	4.75	3.40	4.20	186,189

### SHAREHOLDER INQUIRIES

Lana Reiken, Vice-President Finance and Corporate Secretary  
tel: 416.925.9270  
fax: 416.925.5753  
e-mail: [lanar@clairvest.com](mailto:lanar@clairvest.com)

## Clairvest Group Inc.

### BOARD OF DIRECTORS

H. THOMAS BECK C.M., O.O.N.T.  
Chairman, Fernhill Holdings Limited  
Founder and Past Chairman, Noma Industries

MICHAEL BREGMAN\*  
Principal, XDL Interinvest Capital Corporation  
Former Chief Executive Officer, Second Cup Ltd.

SYDNEY C. COOPER P.ENG.\*  
President, Toril Holdings Limited  
Former President & Chief Executive Officer,  
Pitts Engineering Construction Ltd.

A. EPHRAIM DIAMOND O.C., P.ENG.\*\*  
Chairman, Whitecastle Investments Limited  
Co-founder and former Chairman and  
Chief Executive Officer, Cadillac Fairview  
Corporation Ltd.

GERALD R. HEFFERNAN O.C., P.ENG.\*\*  
President, G.R. Heffernan & Associates Ltd.  
Founder, Co-Steel Inc.  
Chairman, Texas Industries Inc.

JOSEPH J. HEFFERNAN P.ENG.  
Chairman, Clairvest Group Inc.  
Chairman, Rothmans Inc.

PHILIP S. ORSINO F.C.A.\*  
President and Chief Executive Officer,  
Masonite International Corporation

B. JEFFREY PARR  
Co-Chief Executive Officer and  
Managing Director, Clairvest Group Inc.

JOSEPH L. ROTMAN O.C.  
Chairman and Chief Executive Officer,  
Roy-L Capital Corporation  
Founder, Clairvest Group Inc.

KENNETH B. ROTMAN  
Co-Chief Executive Officer and  
Managing Director, Clairvest Group Inc.

LIONEL H. SCHIPPER C.M., O.C.  
President, Schipper Enterprises Inc.  
Past Chairman, Toronto Sun Publishing

ISADORE SHARP O.C.\*\*  
Chairman and Chief Executive Officer,  
Four Seasons Hotels Inc.

\* Member of Audit Committee

\*\* Member of Compensation and Human Resources Committee

### MANAGEMENT

B. JEFFREY PARR  
Co-Chief Executive Officer  
and Managing Director

KENNETH B. ROTMAN  
Co-Chief Executive Officer  
and Managing Director

JOHN B. FISHER  
Managing Director

MICHAEL A. WAGMAN  
Principal

LANA REIKEN  
Vice-President Finance  
and Corporate Secretary

HEATHER G. CRAWFORD  
In-House Counsel

MICHAEL CASTELLARIN  
Associate

DENNIS DUSSIN  
Associate

MITCHELL S. GREEN  
Associate

DAVID I. STURDEE  
Associate

### TRANSFER AGENT AND REGISTRAR

Investors are encouraged to contact  
CIBC Mellon Trust Company  
for information regarding their  
security holdings.

Information can be obtained at:

CIBC Mellon Trust Company  
Adelaide Street Postal Station  
P.O. Box 7010  
Toronto, Ontario M5C 2W9  
Answerline: 416.643.5500  
or toll-free throughout North America at  
1.800.387.0825  
web: [www.cibcmellon.ca](http://www.cibcmellon.ca)  
e-mail: [enquiries@cibcmellon.ca](mailto:enquiries@cibcmellon.ca)

### CORPORATE INFORMATION

CORPORATE OFFICE  
22 St. Clair Avenue East, Suite 1700  
Toronto, Ontario M4T 2S3  
tel: 416.925.9270 fax: 416.925.5753  
web: [www.clairvest.com](http://www.clairvest.com)

AUDITORS  
Ernst & Young LLP

THE ANNUAL MEETING OF  
SHAREHOLDERS  
September 23, 2002, at 10:30 a.m.  
The Design Exchange, Trading Floor  
234 Bay Street, Toronto, Ontario

All shareholders are encouraged to attend.

# KNOWLEDGE BASED VALUE FOCUSED CLAIRVEST GROUP INC.

Clairvest believes it is important to contribute time and energy to the communities in which we live and work.

Baycrest Centre Foundation • Baycrest Centre for Geriatric Care • Canadian Business Hall of Fame Foundation • Canadian Friends of the Hebrew University • Canadian Friends of the Israel Museum • Canadian Institute of Health Research • Canadian Institute of Public Real Estate Companies • Canadian Opera Company • Canadian Opera House Corporation • C.D. Howe Institute • Canadian Council of Christians and Jews • The Canadian Ditchley Foundation • The Canadian Sha'are Zedek Hospital Foundation • The Canadian Society for the Weizman Institute of Science • The Council for Canadian Unity • Hebrew University of Jerusalem • Institute for Research on Public Policy • MARS (Medical and Related Sciences Discovery District) • Mount Sinai Hospital • Mount Sinai Hospital Foundation • National Terry Fox Run • North York General Hospital • Ontario BIOCouncil • Ontario Genomics Institute • Raymond F. Kravis Center for the Performing Arts • Technion Institute of Technology, Israel • Terry Fox Humanitarian Award Program • United Jewish Appeal of Metropolitan Toronto • University Health Network • University of Toronto Governing Council • University of Toronto Asset Management Corporation • University of Toronto Centre of Research in Neurodegenerative Diseases • University of Toronto Campaign Executive Committee

## CLAIRVEST GROUP INC.

22 St. Clair Avenue East, Suite 1700, Toronto, Ontario M4T 2S3

t: 416.925.9270 f: 416.925.5753 w: [www.clairvest.com](http://www.clairvest.com)