

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2003

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 Co-Chief Executive Officers' Message, 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, 2003, Clairvest had ten core investments in eight different industries. Four of these investments were joint investments with CEP. Clairvest also held an investment in Wellington Financial L.P. ("the Bridge Fund"), a joint venture between Clairvest and Orion Securities Inc. (formerly Yorkton Securities Inc.).

OVERVIEW OF FISCAL 2003

During the year ended March 31, 2003, Clairvest sold its investment in Sparkling Spring Water Holdings Limited ("Sparkling Spring"), completed the initial public offering (IPO) of Gateway Casinos Income Fund ("Gateway Income Fund") and made initial and follow on investments in several companies. Several of Clairvest's investee companies also underwent refinancings or recapitalizations during the year and Clairvest filed a Normal Course Issuer Bid. An overview of these events follows:

- Groupe Danone of France acquired all of the outstanding shares of Sparkling Spring. Clairvest received proceeds of Cdn\$48.6 million on closing and has the potential, subject to a number of conditions including Danone's satisfaction with the representations and warranties, to receive over time an additional US\$4.5 million now being held in escrow. Prior to this transaction, Clairvest had recouped 100% of its initial investment in Sparkling Spring.
- Gateway Casinos Inc. ("Gateway Casinos"), after acquiring five casinos in Western Canada, completed the IPO of Gateway Income Fund, a newly formed trust established to acquire six of the 10 casinos managed by Gateway Casinos. As a result of the transaction, Clairvest received \$66.4 million in loans from Gateway Casinos and a subsidiary of Gateway Casinos, \$45.0 million of which was used to acquire 4,501,970 units in Gateway Income Fund. At March 31, 2003, Clairvest continued to hold 4,501,970 units in Gateway Income Fund, representing a 17.0% ownership interest. Clairvest also held a 28.4% ownership interest in Gateway Casinos, which operates the remaining four casinos.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Clairvest and CEP invested in Van-Rob Stampings Inc. ("Van-Rob"), a supplier of metal stampings and welded assemblies to the North American auto sector. Clairvest's portion of this investment consists of 5,000,000 Class A special convertible shares, which were acquired for \$5.0 million. At March 31, 2003, Clairvest's fully diluted interest was 5.0%, and the Clairvest / CEP combined ownership interest was 20.0%.
- Clairvest and CEP invested in Landauer Metropolitan Inc. ("Landauer"), a supplier of home medical equipment in the New York City area. Clairvest's portion of this investment consists of 1,906,250 10% cumulative convertible preferred shares, which were acquired for \$3.0 million. At March 31, 2003, Clairvest's fully diluted interest was 10.7%, and the Clairvest / CEP combined ownership position was 42.8%.
- Voxcom Incorporated ("Voxcom") completed a recapitalization, consisting of a \$38.9 million equity investment and a new \$70.0 million bank credit facility. As part of the transaction, Clairvest converted its existing \$8.6 million of debentures and invested an additional \$2.9 million for a total of 11,485,900 convertible retractable preferred shares. At March 31, 2003, Clairvest's fully diluted ownership interest was 27.0%.
- Clairvest, CEP and certain members of management of Consolidated Vendors Corporation ("Consolidated Vendors") purchased, at a discount, all of the senior bank debt of Consolidated Vendors for US\$7.0 million. Clairvest's share of the purchase price was \$2.7 million (US\$1.7 million), representing US\$3.3 million of the face value of the bank debt.
- Signature Security Group Holdings Pty. Limited ("Signature") completed the refinancing of its matured credit facilities with a three-year committed senior debt facility.
- Clairvest filed a Normal Course Issuer Bid enabling it to make market purchases of up to 1,046,427 of its common shares in the 12-month period commencing March 4, 2003. As at June 30, 2003, Clairvest had purchased 632,152 common shares at a total cost of \$4.7 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF CLAIRVEST'S INVESTMENTS AT MARCH 31, 2003

Investment	Trading Symbol and Exchange	Ownership Percentage ⁽¹²⁾	Cost of Investment (millions)	Net Cash Investment (millions) ⁽¹³⁾	Carrying Value of Investment (millions) ⁽¹⁴⁾	Description of Business
PUBLICLY-TRADED INVESTMENTS						
Datamark Systems Group Inc. ⁽¹⁾	DMK – TSX	36.5%	\$ 14.4	\$ 1.7	\$ 11.7	A business document management company with operations in Canada and the United States.
Gateway Casinos Income Fund ⁽²⁾	GCI.UN-TSX	17.0%	\$ 45.0	\$ (0.2)	\$ 42.8	A trust established to acquire six of the 10 casinos managed by Gateway Casinos Inc.
Voxcom Incorporated ⁽³⁾	VOX – CDNX	27.0%	\$ 12.8	\$ 9.2	\$ 11.6	A security company that sells, installs, services and monitors security alarm systems for residential and commercial subscribers in Canada.
PRIVATELY-HELD INVESTMENTS						
Allied Global Holdings Inc. ⁽⁴⁾	Private	8.3%	\$ 3.0	\$ 3.0	\$ 3.6	An international accounts receivable management company with operations across Canada, the United States and the United Kingdom.
Consolidated Vendors Corporation ⁽⁵⁾	Private	17.7%	\$ 6.0	\$ 6.0	\$ 6.1	An independent vending operator in Michigan and Illinois, providing a full range of vended products.
Gateway Casinos Inc. ⁽⁶⁾	Private	28.4%	\$ 24.0	\$ (2.3)	\$ 68.4	A gaming management company that operates casinos in Western Canada.
Landauer Metropolitan Inc. ⁽⁷⁾	Private	10.7%	\$ 3.0	\$ 3.0	\$ 3.1	The dominant supplier of home medical equipment in the New York City area.
NRI Industries Inc. ⁽⁸⁾	Private	84.7%	\$ 17.6	\$ 17.6	\$ 24.9	A North American company that converts scrap rubber into value-added manufactured products.
Signature Security Group Holdings Pty. Limited ⁽⁹⁾	Private	39.4%	\$ 28.4	\$ 28.4	\$ 28.4	An electronic security company serving Australia and New Zealand.
Van-Rob Stampings Inc. ⁽¹⁰⁾	Private	5.0%	\$ 5.0	\$ 5.0	\$ 5.0	A supplier of metal stampings and welded assemblies to the North American auto sector.
Wellington Financial L.P. ⁽¹¹⁾	Private	71.4%	\$ 2.6	\$ 1.8	\$ 4.2	Provides bridge financing to growth companies in the technology and health sciences industries.
OTHER INVESTMENTS			\$ 0.4	\$ 0.4	\$ 0.4	
TOTAL INVESTMENTS			\$ 162.2	\$ 73.6	\$ 210.2	

(1) Clairvest owns 4,675,670 common shares in Datamark. Clairvest received a total of \$12.7 million in tax-free dividends from Datamark to March 31, 2003, resulting in a net cash investment at March 31, 2003 of \$1.7 million. Carrying value is based on the quoted market price.

(2) Clairvest owns 4,501,970 units in Gateway Income Fund. The \$45.0 million investment was funded with a loan from a subsidiary of Gateway Casinos. The net cash investment is in a negative position as a result of the \$45.0 million loan and \$1.4 million of distributions received, net of \$1.2 million of interest paid on the loan. Carrying value is based on the quoted market price less a discount due to Clairvest's hold period and estimated cost of disposition.

(3) Clairvest owns 230,000 common shares and 11,485,900 convertible retractable preferred shares in Voxcom. Clairvest rolled \$3.6 million of fees and interest into preferred shares, resulting in a net cash investment of \$9.2 million. Carrying value is based on the quoted market price for the common shares, and cost for the preferred shares.

(4) Clairvest owns 33,000 10% convertible Class B preferred shares in Allied. Carrying value is based on cost plus accrued dividends.

(5) Clairvest owns 2,500 Class A preferred shares and 10,229 common shares in Consolidated Vendors. Carrying value is based on cost, adjusted for foreign exchange. Clairvest also holds US\$3.3 million of senior debt and a \$0.5 million short-term loan. Carrying value of the senior debt is based on cost plus accrued interest, and for the short-term loan is accrued value, all adjusted for foreign exchange.

(6) Clairvest owns 28.4% of a limited partnership that owns Gateway Casinos. The net cash investment is in a negative position as a result of a \$21.4 million loan received from Gateway Casinos, \$4.3 million in taxable distributions and \$0.6 million in dividends received. The investment is carried at cost plus a \$44.4 million cumulative upward adjustment to the carrying value.

(7) Clairvest owns 1,906,250 10% cumulative convertible preferred shares in Landauer. Carrying value is based on cost plus accrued dividends, adjusted for foreign exchange.

(8) 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 to March 31, 2002. No dividends were accrued during fiscal 2003.

(9) 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.

(10) Clairvest owns 5,000,000 Class A special convertible shares in Van-Rob. Carrying value is based on cost.

(11) Clairvest has committed to fund \$5.0 million to the Bridge Fund, \$2.6 million of which was funded at March 31, 2003. Clairvest has received \$0.8 million in distributions, resulting in a net cash investment of \$1.8 million. Carrying value is based on the underlying value of the loans and warrants held by the Bridge Fund.

(12) Ownership percentage calculated on a fully diluted basis at March 31, 2003.

(13) Net cash investment is cost net of dividends, interest and other distributions received but excludes advisory and other fees received.

(14) 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 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 judgement, and the actual realizations may vary from the values presented.

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. Downward adjustments are made to the carrying value of private investments when there is evidence of an other than temporary decline in the value of the investment. The carrying value of the investment, therefore, may not be adjusted downward until there is sufficient persuasive and objective evidence to indicate that the decline in value is other than temporary. 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 (\$000's)

Year ended March 31,	2003	2002
Net investment gains (losses)		
Realized gains (losses) on investments (net)	\$ 43,942	\$ (3,970)
Previously recognized unrealized losses (gains) (net)	(44,384)	2,836
Unrealized gains on investments (net)	43,941	24,105
	43,499	22,971
Other income		
Interest income	4,053	1,263
Dividend income	1,303	1,496
Management fees	2,673	2,901
Advisory and other fees	2,331	2,756
	10,360	8,416
Administration and other expenses	7,282	3,900
Interest on loan payable	1,231	—
	8,513	3,900
Income before income taxes	45,346	27,487
Provision for income taxes	1,007	4,508
Net income	\$ 44,339	\$ 22,979

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, 2003 was \$44.3 million, versus \$23.0 million for the year ended March 31, 2002.

Clairvest realized gains on sale of investments of \$43.9 million in fiscal 2003 versus losses of \$4.0 million in fiscal 2002. The gain in 2003 resulted from the sale of Clairvest's investment in Sparkling Spring. The loss in fiscal 2002 was made up primarily of a \$9.1 million loss on the sale of HealthCentral.com, net of a \$4.9 million gain on the sale of Sparkling Spring shares.

Previously recognized unrealized gains in fiscal 2003 relate to unrealized gains on Sparkling Spring that were recognized in fiscal 2003 and prior years. Previously recognized unrealized losses in fiscal 2002 relate to unrealized losses on HealthCentral.com that were recognized in fiscal 2002 and prior years, net of unrealized gains on the Sparkling Spring shares that were sold, that were recognized in fiscal 2002 and prior years. When the respective investments were sold in fiscal 2003 and fiscal 2002, the previously recognized unrealized gains and losses were reversed, and the full realized gain or loss over original cost was recognized in the year of disposition.

Clairvest had unrealized gains on investments of \$43.9 million for the year ended March 31, 2003 versus \$24.1 million for the year ended March 31, 2002. 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,	2003	2002
Investments in publicly-traded companies		
Datamark Systems Group Inc.	\$ (4,930)	\$ 7,699
Gateway Casinos Income Fund	(2,181)	—
Voxcom Incorporated	(57)	(772)
	(7,168)	6,927
Investments in privately-held companies		
Allied Global Holdings Inc.	324	239
Consolidated Vendors Corporation	(610)	1,025
Gateway Casinos Inc.	38,362	6,000
Landauer Metropolitan Inc.	154	—
NRI Industries Inc.	(320)	1,175
Signature Security Group Holdings Pty. Limited	(2,544)	1,166
Sparkling Spring Water Holdings Limited	16,237	7,317
Wellington Financial L.P.	(494)	553
	51,109	17,475
Other investments	—	(297)
	\$ 43,941	\$ 24,105

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

Interest income in fiscal 2003 increased to \$4.1 million from \$1.3 million in fiscal 2002. Interest income for the year ended March 31, 2003 includes \$1.4 million in distributions from Gateway Income Fund, representing monthly distributions for the period from November 28, 2002 to March 31, 2003.

Dividend income of \$1.3 million for the year ended March 31, 2003 represented tax-free dividends earned from Datamark Systems Group Inc. ("Datamark") and Gateway Casinos. Dividend income for the year ended March 31, 2003 includes \$0.6 million received from Gateway Casinos, representing monthly dividends for the period from November 28, 2002 to March 31, 2003.

Management fees were earned as compensation for Clairvest's services in the administration of the portfolio of CEP. The management fee is reduced to the extent of 75% of any fees earned by Clairvest from corporate investments of CEP. Management fees decreased \$0.2 million to \$2.7 million in fiscal 2003 as a result of an increase in fees earned during the year by Clairvest from corporate investments of CEP.

Advisory and other fees decreased \$0.4 million to \$2.3 million in fiscal 2003. In fiscal 2002, Clairvest received a shareholder distribution from Gateway Casinos of \$1.4 million, but no such distribution was received in fiscal 2003. Included in advisory and other fees for the year ended March 31, 2003 are \$890,000 in structuring fees, extension fees and guarantee fees from Voxcom, which, together with interest accrued on the debentures, were rolled into preferred shares of Voxcom.

Administration and other expenses increased \$3.4 million to \$7.3 million in fiscal 2003. Included in administration and other expenses for the year ended March 31, 2003 was \$2.3 million accrued under Clairvest's Incentive Bonus Program and a \$0.9 million foreign exchange loss on a forward contract.

Interest on loan payable for fiscal 2003 represents interest on the loan payable to a subsidiary of Gateway Casinos for the period from November 28, 2002 to March 31, 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL POSITION AND LIQUIDITY

CONSOLIDATED BALANCE SHEETS (\$000's)

As at March 31,	2003	2002
Assets		
Cash and cash equivalents	\$ 15,181	\$ 4,064
Short-term investments	78,933	40,309
Accounts receivable and other assets	2,190	1,731
Corporate investments	210,170	150,124
	\$ 306,474	\$ 196,228
Liabilities		
Accounts payable	\$ 3,355	\$ 829
Income taxes payable	7,376	273
Loans payable	66,382	—
Future tax liability	908	8,884
	78,021	9,986
Shareholders' equity		
Share capital	112,426	112,452
Retained earnings	116,027	73,790
	228,453	186,242
	\$ 306,474	\$ 196,228

With \$94.1 million in cash and cash equivalents and short-term investments, Clairvest has sufficient capital to support its current and anticipated investments. In addition, 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, 2003.

Accounts payable increased \$2.5 million to \$3.4 million at March 31, 2003. Included in accounts payable at March 31, 2003 was \$2.3 million accrued under Clairvest's Incentive Bonus Program.

Income taxes payable increased \$7.1 million to \$7.4 million at March 31, 2003. Income taxes payable at March 31, 2003 is comprised primarily of income taxes payable as a result of the sale of Sparkling Spring. Future tax liability decreased \$8.0 million to \$0.9 million at March 31, 2003. The decrease is primarily due to the sale of Sparkling Spring. Tax on the cumulative unrealized gains on Sparkling Spring that had been recognized to March 31, 2002 had been accrued as a future tax liability at March 31, 2002. Upon the sale of Sparkling Spring, this future tax liability became a current tax liability.

Clairvest had loans payable totalling \$66.4 million at March 31, 2003. Further details on loans payable can be found in the discussion of Gateway Casinos.

Share capital decreased \$26,000 during the year ended March 31, 2003. The decrease resulted from the purchase of 5,000 common shares under Clairvest's Normal Course Issuer Bid, which was filed during the year. Clairvest had purchased a total of 632,152 common shares under the Normal Course Issuer Bid as at June 30, 2003, at a total cost of \$4.7 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, 2003 Clairvest owned 4,675,670 common shares in 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, 2003 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 decreased \$4.9 million to \$11.7 million at March 31, 2003. The unrealized loss of \$4.9 million resulted from the decrease in share price from \$3.55 per share at March 31, 2002 to \$2.50 per share at March 31, 2003. Clairvest recorded an unrealized gain of \$7.7 million for the year ended March 31, 2002, as a result of movements in the quoted market price from \$1.91 per share to \$3.55 per share.

The carrying value of \$11.7 million at March 31, 2003 compares to a cost of \$14.4 million. It is important to note that at March 31, 2003, Clairvest had received back \$12.7 million, by way of tax-free dividends, of the \$14.4 million it had invested in Datamark, reducing the net cash investment to \$1.7 million. Subsequent to year-end, Clairvest received further dividends of \$0.2 million, increasing total tax-free dividends received to \$12.9 million, and reducing the net cash investment to \$1.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GATEWAY CASINOS INCOME FUND

During the year, Clairvest acquired 4,501,970 units in Gateway Income Fund, using the proceeds from the \$45.0 million loan from a subsidiary of Gateway Casinos. At March 31, 2003, the units were carried at the quoted market price less a discount due to Clairvest's hold period and estimated cost of disposition.

The unrealized loss of \$2.2 million is the result of the discount taken, net of movements in the quoted market price from \$10.00 per unit on issuance to \$10.50 per unit as at March 31, 2003.

The carrying value of \$42.8 million at March 31, 2003 compares to a cost of \$45.0 million. The net cash investment at March 31, 2003 was (\$0.2 million) as a result of the \$45.0 million loan and \$1.4 million of distributions received, net of \$1.2 million of interest paid on the loan.

Please also refer to the discussion on Gateway Casinos Inc.

VOXCOM INCORPORATED

At March 31, 2003, Clairvest owned 230,000 common shares and 11,485,900 convertible retractable preferred shares in Voxcom. Clairvest also held 257,889 warrants to acquire Voxcom shares at \$3.95 per share, 59,053 warrants to acquire Voxcom shares at \$1.95 per share and 1,041,071 warrants to acquire Voxcom shares at \$1.80 per share. The common shares in Voxcom were carried at the quoted market price at March 31, 2003, the preferred shares were carried at cost and the warrants were carried at nil.

The carrying value of Clairvest's investment in Voxcom increased \$4.3 million to \$11.6 million at March 31, 2003. The increase is made up primarily of an investment of \$2.9 million in preferred shares, as well as the rolling of \$1.5 million of fees and interest that had not previously been accrued into preferred shares, net of an unrealized loss of \$57,000. The unrealized loss of \$57,000 is the result of the decrease in the common share price from \$0.70 at March 31, 2002 to \$0.45 at March 31, 2003. Clairvest recorded an unrealized loss of \$772,000 for the year ended March 31, 2002, as a result of movements in the quoted market price of the common shares from \$3.50 per share to \$0.70 per share.

The carrying value of \$11.6 million at March 31, 2003 compares to a cost of \$12.8 million. The net cash investment at March 31, 2003 was \$9.2 million as a result of the rolling of a total of \$3.6 million of fees and interest into preferred shares.

ALLIED GLOBAL HOLDINGS INC.

At March 31, 2003, Clairvest owned 33,000 10% convertible Class B preferred shares in Allied Global Holdings Inc. ("Allied"). At March 31, 2003, the preferred shares were carried at cost plus accrued dividends.

The carrying value of Clairvest's investment in Allied increased \$324,000 to \$3.6 million at March 31, 2003. The unrealized gain of \$324,000 resulted from dividends accruing on the preferred shares. \$300,000 of accrued dividends were received during the year by way of a stock dividend of 3,000 preferred shares. Clairvest recorded an unrealized gain of \$239,000 for the year ended March 31, 2002, as a result of dividends accruing on the preferred shares.

The carrying value of \$3.6 million at March 31, 2003 compares to a cost of \$3.0 million.

CONSOLIDATED VENDORS CORPORATION

At March 31, 2003, Clairvest owned 2,500 Class A preferred shares, 10,229 common shares, US\$3.3 million of senior debt, a \$0.5 million short-term loan and 45,000 warrants in Consolidated Vendors. At March 31, 2003, the common shares and preferred shares were carried at cost, the bank debt at cost plus accrued interest, and the short-term loan at accrued value, all converted into Canadian dollars. The warrants were carried at nil.

The carrying value of Clairvest's investment in Consolidated Vendors increased \$2.5 million to \$6.1 million at March 31, 2003. The increase consists of Clairvest's purchase of its share of the senior bank debt of Consolidated Vendors for \$2.7 million and the \$473,000 short-term loan provided to Consolidated Vendors, net of an unrealized loss of \$610,000. The unrealized loss of \$610,000 resulted from the elimination of cumulative dividends on convertible Class A preferred shares and convertible Class B preferred shares that were accrued in fiscal 2003 and prior years. During fiscal 2003, the convertible Class A preferred shares and convertible Class B preferred shares were converted into common shares and Class A preferred shares that do not bear cumulative dividends. All previously accrued dividends were therefore reversed in fiscal 2003. Clairvest recorded an unrealized gain of \$1.0 million for the year ended March 31, 2002, as a result of the sale of shares to CEP during fiscal 2002 for a \$1.0 million gain. Since the sale was between related parties, the gain was not recognized as realized gains, but rather as unrealized gains. Clairvest has guaranteed any loss CEP may incur on the investment acquired from Clairvest, net of any gains on any other of CEP's holdings in Consolidated Vendors.

The carrying value of \$6.1 million at March 31, 2003 compares to a cost of \$6.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GATEWAY CASINOS INC.

At March 31, 2003, Clairvest owned 28.4% of a limited partnership that owned Gateway Casinos. At March 31, 2003, the investment in Gateway Casinos was carried at cost plus a \$44.4 million cumulative upward adjustment.

The carrying value of Clairvest's investment in Gateway Casinos increased \$38.4 million to \$68.4 million at March 31, 2003. The \$38.4 million upward adjustment was determined by management to be appropriate in light of the value that was created on the transfer of six casinos from Gateway Casinos to Gateway Income Trust. Clairvest recorded an upward adjustment of \$6.0 million for the year ended March 31, 2002, which management determined was appropriate at that time in light of Gateway Casinos' improved operations, an improving regulatory environment and transactions in the industry.

As part of the IPO of Gateway Income Fund, Clairvest received two loans totalling \$66.4 million from Gateway Casinos and from a subsidiary of Gateway Casinos. The first loan is a \$21.4 million 30-year loan from Gateway Casinos. The loan is non-interest bearing, repayable on demand and secured by the units held by Clairvest in the limited partnership that owns Gateway Casinos. The second loan is a \$45.0 million 30-year loan from a subsidiary of Gateway Casinos. The loan bears interest at 8.05% per annum and is secured by the units held by Clairvest in Gateway Income Fund.

The carrying value of \$68.4 million at March 31, 2003 compares to a cost of \$24.0 million. The net cash investment at March 31, 2003 was (\$2.3 million) as a result of the \$21.4 million loan, \$4.3 million of taxable distributions and \$0.6 million of dividends received.

Please also refer to the discussion on Gateway Casinos Income Fund.

LANDAUER METROPOLITAN INC.

During the year, Clairvest acquired 1,906,250 10% cumulative convertible preferred shares in Landauer. At March 31, 2003, the preferred shares were carried at cost plus accrued dividends, converted into Canadian dollars.

The carrying value of \$3.1 million at March 31, 2003 compares to a cost of \$3.0 million. The unrealized gain of \$154,000 is the result of cumulative dividends on the preferred shares.

NRI INDUSTRIES INC.

At March 31, 2003, 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"). At March 31, 2003, the common shares were carried at cost and the Class A, Class D and Class E preferred shares were carried at their redemption values plus accrued dividends to March 31, 2002. No dividends were accrued on the Class A, Class D and Class E preferred shares during fiscal 2003.

The carrying value of Clairvest's investment in NRI decreased \$320,000 to \$24.9 million at March 31, 2003. The unrealized loss of \$320,000 resulted from the effects of foreign exchange movements on the Class D preferred shares, which are redeemable in US dollars. Clairvest recorded an unrealized gain of \$1.2 million for the year ended March 31, 2002 as a result of cumulative dividends on the preferred shares and the effect of foreign exchange movements on the Class D preferred shares.

The carrying value of \$24.9 million at March 31, 2003 compares to a cost of \$17.6 million.

SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED

At March 31, 2003, 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, 2003, the ordinary shares and loans were carried at cost, converted into Canadian dollars.

The carrying value of Clairvest's investment in Signature decreased \$317,000 to \$28.4 million at March 31, 2003. The decrease is comprised of a \$2.5 million downward adjustment to the carrying value of the investment, net of an increase in the carrying value as a result of the \$2.2 million cost on the rolling of foreign exchange forward contract hedges on the investment. The \$2.5 million downward adjustment brings the carrying value of the investment back to cost, which management has determined is the appropriate fair value of the investment. Clairvest recorded an unrealized gain of \$1.2 million for the year ended March 31, 2002 as a result of movements in foreign exchange.

The carrying value of \$28.4 million at March 31, 2003 compares to a cost of \$28.4 million.

VAN-ROB STAMPINGS INC.

During the year, Clairvest acquired 5,000,000 Class A special convertible shares in Van-Rob. At March 31, 2003 the special shares were carried at cost.

The carrying value of \$5.0 million at March 31, 2003 compares to a cost of \$5.0 million.

WELLINGTON FINANCIAL L.P. (FORMERLY CLAIRVEST-YORKTON TRANSITION CAPITAL FUND L.P.)

At March 31, 2003, Clairvest had funded \$2.6 million of its \$5.0 million capital commitment to the Bridge Fund. At March 31, 2003, the investment in the Bridge Fund was carried at the underlying value of the loans and warrants held by the Bridge Fund. The loans were carried at accrued value and the warrants were carried at the difference between the exercise price and the quoted market price.

The carrying value of Clairvest's investment in the Bridge Fund increased \$2.2 million to \$4.2 million at March 31, 2003. The increase is made up primarily of the funding of \$2.6 million of capital, net of an unrealized loss of \$494,000. The unrealized loss of \$494,000 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 \$553,000 for the year ended March 31, 2002 as a result of movements in the price of the underlying shares of the warrants held by the Bridge Fund.

The carrying value of \$4.2 million at March 31, 2003 compares to a cost of \$2.6 million. As a result of \$0.8 million in distributions received to March 31, 2003, the net cash investment was \$1.8 million.

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 100% of the cost of its foreign investments.

Clairvest has some exposure to the financial markets, as approximately 30% of the carrying value of Clairvest's investments at March 31, 2003, 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 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 fiscal 2004, we have continued to assist our investee companies in solidifying their strategies and enhancing their value propositions.

The economic slowdown has presented Clairvest with a good opportunity to seek out new investments. We continue to actively pursue investment opportunities, using our domain-based proprietary research to explore a number of industries and uncover new potential investments.

At March 31, 2003, Clairvest had \$94.1 million in cash and \$105.8 million of additional capital through CEP to fund new investments. With this capital on hand, we are well positioned to pursue investment opportunities. As always, we will stick to our disciplines to find solid investments that fit our investment criteria and deliver superior, risk-adjusted returns.

MANAGEMENT'S REPORT

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

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

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

The Audit Committee of the Board of Directors, comprised of three non-management Directors, has reviewed the consolidated 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

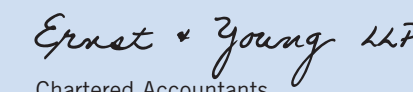
To the Shareholders of Clairvest Group Inc.

We have audited the consolidated balance sheets of Clairvest Group Inc. as at March 31, 2003 and 2002 and the consolidated statements of income, retained earnings and cash flow 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, 2003 and 2002 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, 2003



Chartered Accountants