

Clairvest believes it is important to contribute time, energy and money to the communities in which we live and work. Clairvest has donated over \$800,000 over the past 10 years.

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CLAIRVEST GROUP INC. KNOWLEDGE BASED VALUE FOCUSED ANNUAL REPORT 2004

CLAIRVEST GROUP INC.

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The most reliable way to make money in this climate: eliminate costs and improve efficiency.

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This report contains forward-looking statements with respect to Clairvest Group Inc., its subsidiaries and their investments. These statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Clairvest, its subsidiaries and their investments to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

We have provided selected financial information on each of Clairvest's investee companies, including the earnings before interest, taxes, depreciation and amortization (EBITDA). EBITDA is not a GAAP-defined term. We present EBITDA to show a proxy for the recurring operating cash flow from the company, normalizing for foreign exchange gains and losses and other non-recurring items, both positive and negative, and fees paid to Clairvest and CEP. EBITDA is the basis on which companies are often valued in private equity transactions. When considered with the change in debt, EBITDA may be an indicator of value change.

- **Fiscal 2004:** Clairvest reported net income of \$12.8 million for the year, and a March 31, 2004 book value of \$11.46 per share.
- **July 2003:** Clairvest paid an annual dividend of \$0.10 per share.
- **September 2003:** Recorded writedowns of \$14.5 million and \$4.6 million to the carrying value of Clairvest's investments in NRI Industries Inc., and Consolidated Vendors Corporation, respectively, to reflect their unsatisfactory performance and continuing business difficulties.
- **October 2003:** Gateway Casinos Income Fund announced an increase of five per cent in annual cash distributions to unitholders.
- **December 2003:** Clairvest committed to fund \$10 million of Wellington Fund II's commitments of more than \$20 million. By March 31, 2004, Clairvest had provided \$1.6 million of this commitment.
- **January 2004:** Received return of all funded capital from Wellington Fund I. To date, Clairvest has also received distributions totalling \$1.3 million from Wellington Fund I.
- **February 2004:** Clairvest reduced its holdings in Gateway Casinos Income Fund by approximately 1.14 million units, for gross proceeds of \$17.8 million and an investment gain of \$5.5 million. At the fiscal year end Clairvest had, on a cash basis, recovered its entire investment plus \$17.8 million, and continued to hold approximately 3.4 million units, with a value of \$51.3 million, as well as its \$70.4 million interest in Gateway Casinos Inc.
- **March 2004:** \$2.8 million (US\$2.2 million) was released from escrow in March 2004, on satisfaction of conditions arising from the Fiscal 2003 sale of Sparkling Spring Water. An additional \$0.5 million (US\$0.3 million) was released from escrow during Fiscal 2004. A further US\$2.1 million remains in escrow.
- **March 2004:** Increased ownership in Landauer Metropolitan Inc. to 13.6% fully diluted, through an agreement to purchase at least 406,504 common shares. The combined Clairvest/CEP ownership is now at 54.3%.
- **March 2004:** Filed a new Normal Course Issuer Bid, enabling Clairvest to make market purchases of up to 911,572 of its common shares in the 12-month period commencing March 4, 2004. During Fiscal 2004, Clairvest purchased 945,752 of its common shares at a total purchase cost of \$7.1 million.
- **July 2004:** Clairvest and CEP committed to fund up to a combined \$20 million in N-Brook Mortgage LP, for a combined 52.8% ownership interest. N-Brook originates, adjudicates and underwrites first-ranking mortgages on owner-occupied, residential real estate in Ontario.

Clairvest has delivered compounded annual growth in book value that has significantly outpaced comparable measures.

The results of the latest fiscal year have again confirmed the value of Clairvest's investment strategy and maintaining the disciplines that have consistently rewarded our company and our shareholders. While the year brought challenges for several Clairvest investee companies, it was on balance successful, and book value continued to increase.

In fiscal 2004 Clairvest recorded gains that reflected particularly strong results from our gaming investments, somewhat offset by writedowns taken on several older investments, namely NRI and Consolidated Vendors, where results were disappointing.

For the year ended March 31, 2004 Clairvest's book value per share rose to \$11.46, compared to \$10.92 a year earlier. This gain, when combined with the annual dividend of \$0.10 per share, represents an increase of six per cent. Over the past seven years, the period over which we have applied fair-value accounting, Clairvest has delivered compounded annual growth in book value of 11.4 per cent on a pre-tax basis, which has significantly outpaced comparable measures, such as the gain of 7.3 per cent in the S&P/TSX Composite Index and 7.4 per cent in the S&P 500. During the year we also continued our Normal Course Issuer Bid, under which we purchased Clairvest's shares on the market, for cancellation, and this further strengthened shareholder value.

Looking at the wider business environment, achieving consistent profitability remains challenging for many companies due to the combined effects of substantial over-capacity in many industries, stiff competition from overseas suppliers which has been facilitated by better communications technologies, and flat demand. The most reliable way to make money in this difficult climate is to eliminate costs and improve efficiency. This doesn't guarantee spectacular performance or result in rapid run-ups in valuations, but it does work. We are pleased that most of the companies in which Clairvest has invested are now appropriately conditioned to this economic reality and living the principles of lean manufacturing and continuous improvement.

Clairvest's proprietary domain-based research continues to identify investment and acquisition opportunities. High valuations have prevented us from completing several investments, but our efforts are intensifying.

We have identified one compelling investment opportunity – in a financial services niche. The fundamentals of this business warrant Clairvest's participation and so our investment is funding the start-up of a new business by an experienced and capable management team, and the acquisition of assets that are already productive. N-Brook Mortgage Group Inc. is a new mortgage lender specializing in non-conforming credits. This is an exciting opportunity that offers prospects for significant appreciation of our capital. N-Brook is profiled in this annual report among Clairvest's other investee companies.

Alignment of interests will produce clarity of focus and agreement on direction.

Wellington, our bridge lending business, had a very successful year and we have chosen to double our commitment to that business to \$10 million as well as raise outside capital to expand its scope. We have come across a very interesting niche which is not being serviced by traditional lenders that we, together with our operating partner, are able to very profitably service. Our pooled IRR on our first bridge fund has exceeded 80% to date.

ALIGNMENT OF INTERESTS

Clairvest's continuing ability to deliver superior investment returns for its shareholders rests on the simple idea that alignment of interests will produce clarity of focus and agreement on direction. We ensure that alignment of interests by requiring that all participants – from Clairvest's board to its senior management and the senior management of our investee partners – maintain significant personal financial investments in our businesses. Your management are your fellow shareholders, first.

ACKNOWLEDGEMENTS

This year we are particularly proud to welcome to Clairvest's Board of Directors John Krediet, former Chairman and CEO of Sparkling Spring Water Holdings Limited. His broad experience will be a useful addition to our board.

Your company's successes are due to the combined efforts of people in many roles. We acknowledge the consistent hard work and dedication of Clairvest's employees and the management teams of our investee companies, as well as the commitment of our Limited Partners, and the active engagement and wise counsel of our Board of Directors.

We extend our thanks, also, to our shareholders, for their continuing interest and encouragement of our efforts.



Jeff Parr
Co-Chief Executive Officer
August 1, 2004



Ken Rotman
Co-Chief Executive Officer
August 1, 2004

Good companies don't rely on excessive leverage or the capital markets to lift their values, they build value intrinsically.

1. INVEST IN WHAT YOU KNOW

We apply our proprietary, domain-based research to identify attractive investments. We seek industries characterized by recurring revenues, consolidation opportunities, and cost-based economies-of-scale, as well as individual businesses demonstrating potential for high returns on net assets and invested capital.

2. INVEST IN SUCCESSFUL COMPANIES WITH COMMITTED MANAGEMENT

We invest in companies with proven management who have produced a clear value-generating proposition, and who have committed a material amount of their own capital to delivering success.

3. ALIGN INTERESTS TO ENSURE CLARITY OF FOCUS

As long-term investors, we are guided by success-proven conservatism. Our approach is bottom-up and focused on creating value, with alignment of interests assured by having all participants from Clairvest's directors and management, and the management of our investee companies maintain significant personal financial stakes in Clairvest or our investments.

4. LEVERAGE KNOWLEDGE TO BUILD VALUE

Clairvest leverages the expertise of our investment partners with the extensive knowledge of our Board of Directors and management team to guide development and growth.

5. WE GROW SUCCESS

Good companies do more than endure, they thrive. Good management teams deliver solid results throughout economic cycles, constantly looking to strengthen their market positions and for opportunities to grow. They don't rely on excessive leverage or the capital markets to lift their values, they build value themselves, operationally. These are the hallmarks of Clairvest investments.

Clairvest continues to apply its rigorous standards in identifying, qualifying and closing on new investment opportunities.

Clairvest Equity Partners Limited Partnership (CEP) was created in 2001 to build Clairvest's core business by leveraging its merchant banking expertise over a larger pool of investment capital, and generating income through both management fees and a share in increased profits, above defined thresholds.

CEP is funded by limited partners who value our proprietary, domain-based research, Clairvest's deal flow and superior, long-term risk-adjusted investment returns. Our limited partners include pension funds, banks, insurance companies and high-worth individuals. In keeping with our fundamental belief in the importance of alignment of interests, Clairvest invests alongside CEP in every CEP investment, to the amount of 25 per cent of the combined total.

In partnership with CEP, we have a total of \$219 million to invest in long term private equity investments: \$164 million in third-party capital, combined with an additional \$55 million of Clairvest's own capital. Including the new joint investment completed after the fiscal year-end, the Clairvest/CEP portfolio encompasses holdings in N-Brook Mortgage LP, Landauer Metropolitan Inc., Van-Rob Inc., Consolidated Vendors Corporation and Allied Global Holdings Inc.

Of the \$164 million of third-party commitments to CEP, \$66.4 million has been called to date. Until CEP's capital pool is fully invested, all new Clairvest long-term equity investments will be made through the Clairvest-CEP joint funding agreement.

NEW INVESTMENT OPPORTUNITIES

Clairvest continues to apply its rigorous standards in identifying, qualifying and closing on new investment opportunities. In the case of CEP, these criteria include targeted gross internal rates of return in excess of 25% on all invested capital. Targeted investments range between \$10 million and \$30 million, with Clairvest maintaining its 25% share of the total investment.

COMBINED CLAIRVEST/CEP INVESTMENTS

Investment	Year of Investment	CEP Investment (millions)	Clairvest Investment (millions)	Combined Ownership
Consolidated Vendors Corporation	2001	\$ 17.7	\$ 6.0	70.8%
Allied Global Holdings Inc.	2001	\$ 9.0	\$ 3.0	33.5%
Van-Rob Inc.	2002	\$ 15.0	\$ 5.0	20.0%
Landauer Metropolitan Inc.	2002	\$ 9.9	\$ 3.3	54.3%
N-Brook Mortgage LP	2004	\$ 0.6	\$ 0.2	52.8%

Based on the success of the first venture, Clairvest has doubled its commitment to the bridge lending activities of Wellington Financial.

Wellington Financial provides bridge financing and venture debt to companies in a variety of sectors, including biotechnology, communications, industrial products and technology. Wellington's products include operating lines, term loans and reducing term loans. Clairvest has provided bridge capital through Wellington since 2000, during which time Wellington has authorized \$20 million of loans to 9 companies and funded \$18 million.

Wellington is neither a venture capital investor nor a long term mezzanine lender. The average annual revenue of companies to which Wellington has lent is \$23 million. Wellington is generally a senior lender, lending to growth companies that are unable to obtain adequate senior financing from traditional sources. The average total assets to loan value ratio to date is 6.5x, and the average current asset to loan value ratio is 3.4x. Wellington generates income from interest, arrangement fees and the warrants obtained on every financing transaction – in some cases these become extremely valuable.

Clairvest first invested through Wellington in Wellington Fund I with a \$5 million commitment. All of the loans advanced through Wellington Fund I have been repaid with interest. To June 30, 2004 and based on current market prices, the pooled internal rate of return on Wellington Fund I's investments was 91%. On the \$9.5 million of loans advanced by Wellington Fund I, it has, to date, earned profits, including realized and unrealized gains on the warrants held, of \$5.4 million. The weighted average amount of time the loans were outstanding was 7 months.

Based on the success of Wellington Fund I, Clairvest and its partners have created Wellington Fund II, managed jointly by fund management and Clairvest. Clairvest has doubled its original commitment, to \$10 million, and is in the process of raising capital from outside sources to increase the size of the fund. To June 30, 2004 Wellington had raised a total of \$20,550,000.

Company	Year of loan advance	Amount advanced (millions)	Amount currently outstanding (millions)
WELLINGTON FUND I			
CTF Systems	2000	\$ 0.5	\$ —
MKS Inc.	2001	\$ 2.0	\$ —
Spectra Security Software Inc.	2001	\$ 2.0	\$ —
Delta Systems Inc.	2002	\$ 1.0	\$ —
Basis 100 Inc.	2002	\$ 4.0	\$ —
Total Fund I		\$ 9.5	\$ —
WELLINGTON FUND II			
Necho Systems Corp.	2004	\$ 2.5	\$ 2.5
Airborne Entertainment Inc.	2004	\$ 3.0	\$ 3.0
CrossOff Inc.	2004	\$ 2.6	\$ 2.6
Total Fund II		\$ 8.1	\$ 8.1
Total Wellington		\$ 17.6	\$ 8.1

The team has built the company from the bottom up.

MANAGEMENT TEAM

JEFF PARR, Director, Co-CEO and Managing Director: Former partner at Canadian Mezzanine Investments Inc., manager of Merchant Banking at National Bank of Canada and auditor at Coopers & Lybrand. Sits on the Boards of Datamark, Consolidated Vendors, Gateway Casinos Inc., Gateway Casinos Income Fund and Signature, and the Credit Committee of N-Brook Mortgage. Nine years at Clairvest.

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, Allied, Voxcom, Landauer and Van-Rob. Responsible for managing Clairvest's interest in Wellington Financial. Ten years at Clairvest.

JOHN FISHER, Managing Director: Former corporate finance associate at Coopers & Lybrand and ScotiaMcLeod. Has a CA, CFA, and an MBA from the J.L. Kellogg School of Management, Northwestern University. Sits on the Boards of Consolidated Vendors and Allied. Seven years at Clairvest.

MICHAEL WAGMAN, Principal: Former merchant banker at BMO Nesbitt Burns Equity Partners and investment banking analyst at Nesbitt Burns. Has an HBA from the University of Western Ontario and is a CFA. Sits on the Boards of Signature, Gateway Casinos Inc. and Voxcom. Six years at Clairvest.

LANA REIKEN, CFO 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. Five years at Clairvest.

DAVID STURDEE, Vice-President: Former consultant with the Boston Consulting Group. Experience in financial services, automotive, telecommunications, utilities and pharmaceuticals. Holds a PhD in philosophy from the University of Toronto. Sits on the Board of Landauer and the Credit Committee of N-Brook Mortgage. Three years at Clairvest.

HEATHER CRAWFORD, In-House Counsel: Former Corporate Lawyer with Torys. Assists with negotiation and structuring new investments and managing current investments. Responsible for general corporate and public company compliance matters. Six years at Clairvest.

MICHAEL CASTELLARIN, Associate: Former consultant for the Monitor Company. Has an MBA from the J.L. Kellogg School of Management, Northwestern University. Sits on the Board of Datamark. Two years at Clairvest.

MITCH GREEN, Associate: Former leveraged finance associate at BNP Capital Markets and corporate finance analyst at Bank of America. Has an MBA from the University of Michigan Business School. Sits on the Board of Signature. Two years at Clairvest.

JOE LUCERI, CFO-in-Residence: Current position, CFO of Landauer Metropolitan. Former Vice-President, Business Director at PQ Corporation, a global chemicals manufacturer. Chief Financial Officer of National Silicates Limited, subsidiary of PQ. Former Audit Manager at Coopers & Lybrand. CA and has MBA from Richard Ivey School of Business.

ARTHUR GITAJN, CFO-in-Residence: Temporary position, CFO of Consolidated Vendors. Former CFO of Geac Computer Corporation. Elijah Sells Award winning CPA. Holds an MS in Accounting from Georgetown University. Currently serving on an interim basis as Executive Vice President and Acting CFO of Consolidated Vendors.

BOARD OF DIRECTORS

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.

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, sits on the Board of Van-Rob and sits as Chairman of NRI.

JOE HEFFERNAN, Chairman, Advisor and Director: Chairman of Rothmans Inc. and former Deputy CEO of Rothmans International.

JOHN KREDIET, Advisor and Director: Former Chairman and CEO of Sparkling Spring Water Holdings Limited. Former Chairman and Principal of Eastcan Beverages Ltd. and Maritime Beverages Ltd., two Canadian Pepsi-Cola bottlers. Founder and Chairman of CF Capital Corporation.

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: Former Chairman of Toronto Sun Publishing and former partner at Goodmans LLP. Sits on Clairvest's Compensation and Human Resources Committee and 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.

ALLIED GLOBAL HOLDINGS INC.

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

FURTHER GROWTH EXPECTED THROUGH RECENT NEW CUSTOMER ADDITIONS

OUR PERFORMANCE

Allied focused its efforts internally in 2003, strengthening and consolidating its operations, which led to an improvement in earnings compared to last year.

WHERE WE'RE GOING

Allied will grow its business in the U.S., Canada and the U.K. through a dedicated focus on improving and expanding internal sales efforts and completing strategic acquisitions. The company expects results to continue to improve through 2004 as it leverages past investments in infrastructure and as it continues to expand its business with strong recent new customer wins.

INDUSTRY OUTLOOK

The accounts receivable management industry is growing rapidly and has estimated annual agency fee revenues of US\$9 billion, \$300 million and £300 million, in the US, Canadian and UK markets, respectively. The industry is growing, driven by strong growth in consumer debt and by a trend among credit grantors to turn over receivables to agencies earlier in the collection cycle. This growth is counter balanced by increasingly sophisticated large customers who are compressing margins.

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

THE MANAGEMENT TEAM

Allied is led by its President, David Rae, who has a significant ownership stake in the company and more than 20 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 9001:2000 certification and being named one of Canada's 50 Best Managed Private Companies.

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

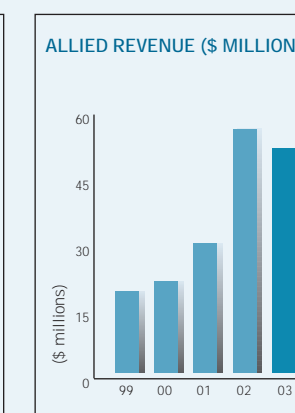
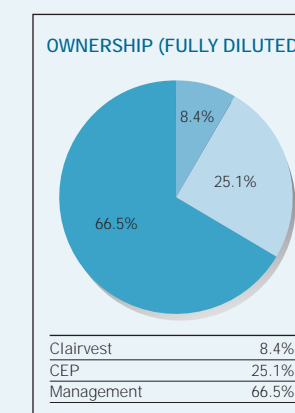
FINANCIAL PERFORMANCE (\$ MILLIONS)

YEAR ENDED DECEMBER 31	2000	2001	2002	2003
Revenue	24.8	38.8	56.9	52.7
EBITDA ⁽¹⁾	4.1	6.4	5.3	6.4
Net debt	0.1	3.6	4.6	5.5

(1) EBITDA from continuing operations.

INVESTMENT IN PREFERRED SHARES (\$ MILLIONS)

	MAR. 31, 2003	MAR. 31, 2004
Cost	3.0	3.0
Net cash investment	3.0	3.0
Carrying value	3.6	3.9



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

NEGATIVELY IMPACTED BY TREND IN LOCAL INDUSTRIAL EMPLOYMENT

OUR PERFORMANCE

Consolidated Vendors Corporation generated weak results in 2003 as a result of the continuing decline in employment in the U.S. Midwest, particularly in the manufacturing sectors where it places many of its vending machines.

WHERE WE'RE GOING

Clairvest and CEP purchased Consolidated Vendors' senior bank debt at a discount in May 2002. As a result, Consolidated Vendors has reduced its financial leverage considerably and increased its operating flexibility. The company's results are expected to improve over time as manufacturing industry activity rebounds in the Midwest and it continues to pursue organic growth opportunities. The company will also evaluate strategic add-on acquisitions in its current markets to gain regional economies of scale.

INDUSTRY OUTLOOK

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

THE MANAGEMENT TEAM

Consolidated Vendors management changed in early 2004. The company is now led by Paul Elliott, a well rounded executive, who previously worked in the bottled water industry at Sparkling Spring Water Group, a very successful company in which Clairvest previously

invested. Prior to joining Sparkling Spring, Mr. Elliott held positions at Maritime Beverages and Pepsi.

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

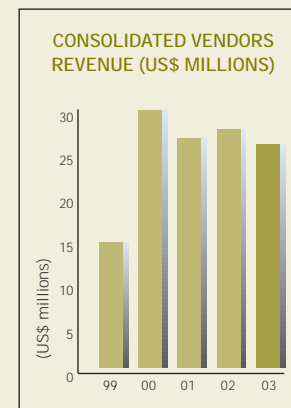
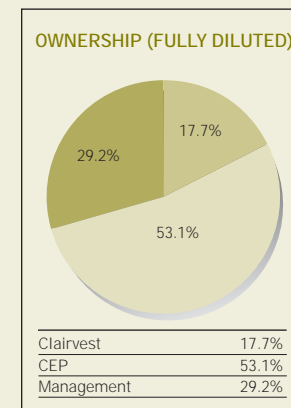
FINANCIAL PERFORMANCE (US\$ MILLIONS)

YEAR ENDED DECEMBER 31	2000	2001	2002	2003
Revenue	31.9	27.6	28.0	26.1
EBITDA	3.6	1.8	2.6	1.4
Net third-party debt	14.2	15.4	1.2	1.2

INVESTMENT IN PREFERRED SHARES AND DEBT

(\$ MILLIONS)

	MAR. 31, 2003	MAR. 31, 2004
Cost	6.0	6.0
Net cash investment	6.0	6.0
Carrying value	6.1	1.7



Datamark specializes in providing customers with end-to-end document management services. These services include customized print design, production, cost control and reporting, as well as warehousing and distribution. Datamark is growing through acquisitions, strategically located production facilities and a network of direct sales professionals.

CONSOLIDATION OPPORTUNITIES FROM AN EVOLUTION IN INFORMATION HANDLING

OUR PERFORMANCE

2003 was another challenging year for the printing industry, and for Datamark, due to the growing acceptance of electronic forms and the appreciation of the Canadian dollar.

Datamark also experienced a substantial write-down in its accounts receivable, largely due to the troubled airline industry. Despite these difficulties, Datamark paid down \$3.0 million in debt.

WHERE WE'RE GOING

In 2004 Datamark will continue to focus on cost control in its business forms and airline printing operations. Datamark will take advantage of opportunities to make synergistic acquisitions of weaker competitors to rationalize industry capacity.

Datamark will also look to accelerate the growth of its label and commercial printing operations through organic growth and acquisitions.

INDUSTRY OUTLOOK

The increase in the electronic substitution of business forms is expected to put increased pressure on one-dimensional competitors in this mature industry. As a market leader offering a variety of products and services, Datamark is positioned to benefit from weak competitors and take advantage of the consolidation trend in the industry.

THE MANAGEMENT TEAM

Having more than 20 years of experience and partnership, Jeffrey Zuneshine and Claude Perrotte have built Datamark from a \$2 million revenue company in 1982 to

an industry leader. Clairvest has actively assisted management over the last seven years while the company completed four acquisitions and increased the size and market reach of the company.

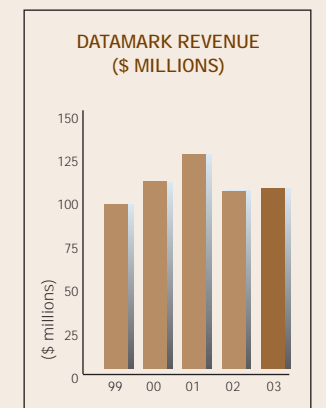
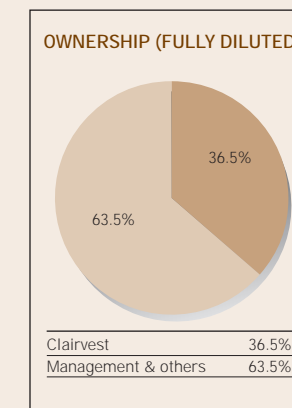
Syd Cooper, Michael Castellarin and Jeff Parr of Clairvest sit on the Board of Directors of Datamark.

FINANCIAL PERFORMANCE (\$ MILLIONS)

YEAR ENDED DECEMBER 31	2000	2001	2002	2003
Revenue	117.9	128.9	113.2	113.8
EBITDA	11.1	12.8	9.4	7.0
Margin	9.4%	9.9%	8.3%	6.2%
Dividends paid	6.5	3.8	1.9	0.5
Net debt	23.1	16.0	12.0	8.2

INVESTMENT IN COMMON SHARES (\$ MILLIONS)

	MAR. 31, 2003	MAR. 31, 2004
Cost	14.4	14.4
Net cash investment	1.7	1.5
Carrying value	11.7	10.1



Gateway is the largest casino operator in western Canada. Gateway Casinos Income Fund was created to acquire six of the 10 casinos managed by Gateway Casinos Inc., all in western Canada, and Gateway Casinos Inc. continues to operate the remaining four casinos.

GAMING IS AN INCREASINGLY IMPORTANT REVENUE SOURCE FOR GOVERNMENTS

OUR PERFORMANCE

The year saw the appreciation of the Fund's units by more than 50 per cent, a reflection of the introduction of video slot machines, of the excellent quality of the Fund's assets and of continued market growth.

During the year Clairvest reduced its holdings in Gateway Casinos Income Fund, selling approximately 1.14 million units for gross proceeds of \$17.8 million.

WHERE WE'RE GOING

The strategic growth plans Gateway outlined last year are moving ahead well, including: relocation of the New Westminster facility to a new larger casino in the municipality of Langley; relocation of the Star of Fortune Riverboat casino, in which Gateway holds a 50 per cent interest, to a larger land-based casino development; and, rebuilding the Baccarat casino.

In addition, early in the 2005 fiscal year, Gateway announced that it would purchase the Radisson Hotel Burnaby as part of its plan to redevelop the Burnaby Casino into a best-of-class entertainment and gaming facility - a multi-year, multi-phase development plan totalling \$85 million.

INDUSTRY OUTLOOK

The Canadian casino and gaming industry has experienced tremendous growth in recent years, and its prospects remain strong. While Alberta's gaming revenue as a per cent of total government revenue continues to be the highest in Canada, the British Columbia per cent continues to be below the Canadian average. We believe that gaming will continue to be an important revenue source

for these provinces. Additionally, we expect that the recent focus of the B.C. government to target increased gaming revenue will help to bring its B.C. operations up to the Canadian average.

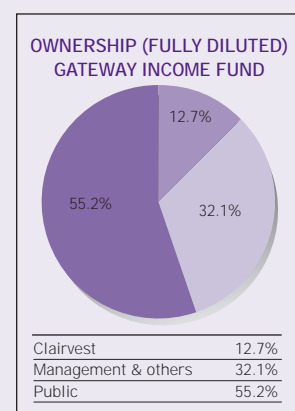
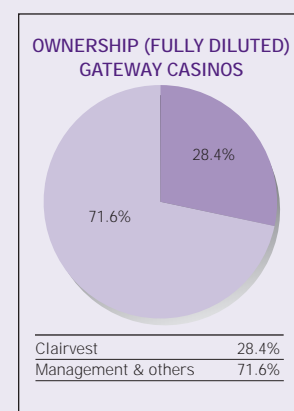
THE MANAGEMENT TEAM

Gateway Casinos' Ray McLean leads a senior management team of seasoned industry professionals including President, Dave Gadhia and CFO, Bradley Bardua. This team is supported by Vice Presidents Dan McLean, Monique Wilberg, Howard Worell and Steve Kumpf.

Jeff Parr and Michael Wagman of Clairvest sit on the Board of Directors of Gateway Casinos and Jeff Parr sits on the Board of Trustees of Gateway Casinos Income Fund.

INVESTMENT IN GATEWAY CASINOS INC. AND GATEWAY CASINOS INCOME FUND (\$ MILLIONS)

	MAR. 31, 2003	MAR. 31, 2004
Combined cost	69.0	57.7
Combined carrying value	111.2	121.7
Debt payable to Gateway	66.4	61.2
Net combined carrying value	44.8	60.5
Combined net cash investment	(2.5)	(17.8)



Landauer Metropolitan is the dominant home medical equipment (HME) supplier in the New York City area. The company sells and rents durable medical equipment, respiratory equipment, rehabilitation equipment and medical supplies for use in the home setting.

DEMOGRAPHICS, COST CONCERNS DRIVING GROWTH AND MARKET CONSOLIDATION

OUR PERFORMANCE

Since 1996, Landauer Metropolitan has grown from US\$3 million in net revenue to US\$36 million through a combination of organic growth and acquisitions. During the year, management focused on growing revenues while continuing to invest in its complex billings and collections functions as well as systems and overhead to support future growth. Overall, these initiatives were successful, fuelling revenue growth of 18 per cent and EBITDA growth of 10 per cent.

WHERE WE'RE GOING

In the coming year, Landauer Metropolitan will continue to improve its billings and collections functions to position itself for further growth. It will also seek to make at least one acquisition. Over the next five to six years, Landauer Metropolitan plans to grow into a US\$100 million HME company - an initiative that can be achieved through a combination of aggressive sales efforts and acquisitions.

INDUSTRY OUTLOOK

The HME supply industry in the United States is more than US\$12 billion and growing more than 10 per cent annually. Growth is being driven by the needs of an ageing population together with the low cost of in-home care compared to hospitals and nursing homes. The industry is highly fragmented, with more than 2,000 operators, the top 10 of which control just 25 per cent of the market.

The industry is dependent on reimbursement from government payors such as Medicare and Medicaid, and as a result is susceptible to regulatory changes, including changes to the reimbursement rates paid for some or all of the company's products and/or services. We believe that as the dominant HME supply company in the New York City area, Landauer Metropolitan is well positioned to weather regulatory changes.

THE MANAGEMENT TEAM

Lou Rocco, President and CEO, leads an experienced senior management team that includes Joe Luceri, CFO and Sal Burdi, EVP Sales & Marketing.

Ken Rotman and David Sturdee of Clairvest sit on the Board of Directors of Landauer Metropolitan with the company's founder and Chairman, Alan Landauer.

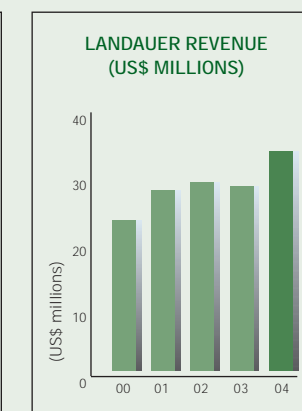
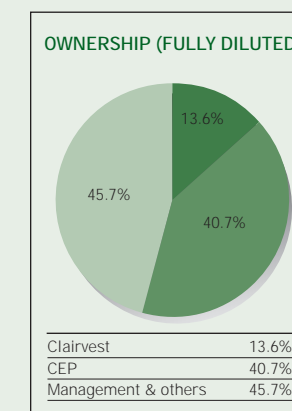
FINANCIAL PERFORMANCE (US\$ MILLIONS)

YEAR ENDED MARCH 31	2001	2002	2003	2004
Revenue	29.5	31.1	30.5	35.9
EBITDA ⁽¹⁾	3.4	3.8	4.7	5.2
EBITDA margin	11.5%	12.2%	15.5%	14.5%
Net debt	11.5	11.5	4.0	5.2

(1) EBITDA in 2003 and 2004 is before bad debt charges against prior years' revenue.

INVESTMENT IN COMMON AND PREFERRED SHARES (\$ MILLIONS)

	MAR. 31, 2003	MAR. 31, 2004
Cost	3.0	3.3
Net cash investment	3.0	3.3
Carrying value	3.1	3.6



N-Brook Mortgage LP originates, adjudicates and underwrites first-ranking mortgages on owner-occupied, residential real estate in Ontario. N-Brook competes in the non-conforming mortgage market, lending to individuals who do not fit the traditional, restrictive lending criteria of the major banks and trust companies.

AN INVESTMENT IN A GROWING, LOW-RISK FINANCIAL SERVICES NICHE BUSINESS

BACKGROUND

Mortgage lending in Canada is historically a very stable business with predictably low incidence of loss, in particular in the owner-occupied, residential segment of the market. Mortgage lending is attractive because loans are made at less than the full value of the asset, with downside protection in the form of the borrower's equity in the home.

N-Brook's target customers are individuals who are ineligible for mortgages from conventional lenders because they are self-employed or have a limited or impaired credit history. N-Brook provides high-ratio loan-to-value (LTV) mortgages to credit-worthy individuals who are self-employed business operators, or professionals working on a contract basis rather than in a conventional employment relationship. Statistics Canada has estimated that this group will be the fastest growing segment of the workforce over the coming decade. N-Brook also targets individuals with little or no credit history, or an impaired credit history, for low-ratio LTV mortgages.

Clairvest has assisted in N-Brook's creation by investing with the company and its principals in an origination and credit adjudication engine to build a portfolio of productive residential mortgages.

WHERE WE'RE GOING

N-Brook sources mortgages through Ontario's registered mortgage brokers, who now account for 25 per cent of all mortgage originations. In addition to the Greater Toronto Area, the company focuses on smaller urban centres in Ontario that are historically underserved by current non-conforming mortgage lenders, including Kitchener-Waterloo, St. Catharines, Ottawa and Hamilton.

N-Brook plans initially to capture approximately 2.5 per cent of the estimated \$4 billion annual market for non-conforming mortgages, growing its share to 7-8 per cent over time. N-Brook will maintain tight credit discipline and careful cost control as it grows to a book of \$1 billion in mortgages under management within five to six years, with excellent internal rates of return.

THE MANAGEMENT TEAM

Clairvest has invested alongside seasoned executives with almost 50 years combined experience in lending to form N-Brook.

Paul McGill, President, has 24 years experience in specialty lending, and as a banker focused on North American commercial lending strategies, programs and offerings. Most recently Paul was a Managing Director for Tyco/CIT Group.

Ralph Parry, Vice President, has more than 25 years of lending experience, including heading up North American credit for Newcourt/CIT's Commercial and Technology Group, and heading up Credit for the Canadian Small Business Division that was created when Newcourt/CIT purchased Commcorp and AT&T Capital.

Jeff Parr and David Sturdee of Clairvest sit on the Credit Committee of N-Brook Mortgage LP.

NRI designs, engineers and manufactures rubber and plastic products to leading quality and performance specifications. The company is heavily integrated to develop and manufacture parts through the value chain from the recycling of scrap rubber through to part processing and assembly for significant automotive OEM and industrial customers.

CONTINUED SUCCESS WINNING NEW PRODUCT AWARDS

OUR PERFORMANCE

Revenue for 2003 was \$59.5 million, up six per cent from 2002, while EBITDA was \$6.2 million, down 18 per cent. The growth in revenue was a result of increased demand for the company's industrial products, which represent 35% of revenue, as well as the company's success in winning new programs from automotive customers. The decline in profitability was due primarily to the unfavourable currency movement during the year. We continue to see the benefits of our investment in the company's manufacturing process over the past few years, as it has allowed the company to remain competitive, to win new business and to operate profitably.

WHERE WE'RE GOING

We expect organic growth in revenue to continue, as the rate of new product awards in the automotive segment continues to be reasonable, and as demand for industrial products continues to improve. Further, the company is developing new product capabilities in rubber and plastic injection moulding, while adding new products and entering new markets.

INDUSTRY OUTLOOK

The difficult environment in the auto parts industry affected NRI's results in 2003. We expect the environment to remain difficult in 2004, as NRI's customers demand additional price concessions, and as the competition for new program awards intensifies. We have confidence in the ability of NRI's management to use its design capability, efficient manufacturing process and material-cost advantage created by the use of recycled scrap rubber to position the company to continue to win new business at good margins and grow the EBITDA going forward.

THE MANAGEMENT TEAM

Mike Schneckenger, an experienced automotive industry executive and engineer, is NRI's CEO. The company's experienced, qualified executive group have developed NRI into a manufacturer of highly engineered products that uses a unique and proprietary process to convert scrap rubber to finished products, giving the company a meaningful cost advantage.

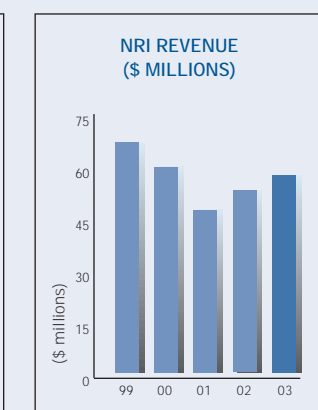
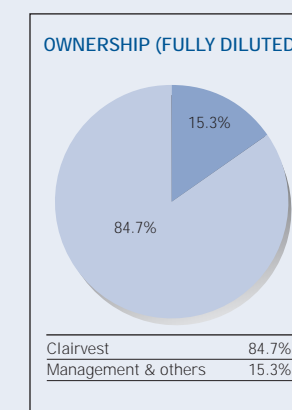
Ken Rotman, Jerry Heffernan and Lionel Schipper of Clairvest sit on the Board of Directors of NRI. Mr. Heffernan is also Chairman of NRI.

FINANCIAL PERFORMANCE (\$ MILLIONS)

YEAR ENDED DECEMBER 31	2000	2001	2002	2003
Revenue	63.0	51.6	56.2	59.5
EBITDA	8.6	4.8	7.6	6.2
Debt	23.7	16.9	16.0	13.0

INVESTMENT IN COMMON AND PREFERRED SHARES (\$ MILLIONS)

	MAR. 31, 2003	MAR. 31, 2004
Cost	17.6	17.6
Net cash investment	17.6	17.6
Carrying value	24.9	10.1



Signature Security 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. The company is one of the top three electronic security providers in Australia, and one of the largest full-service providers in New Zealand.

CAPTURING NEW OPPORTUNITIES IN LARGE COMMERCIAL INSTALLATIONS

OUR PERFORMANCE

Signature booked another year of solid financial performance in its core markets. The company's business model is sound and generates predictable results and substantial free cash flow. Over the past year, Signature maintained its recurring revenue base of small commercial and residential customers and generated incremental business through large commercial installations.

Revenue and EBITDA grew 3.8 per cent and 6.3 per cent respectively.

WHERE WE'RE GOING

Signature's recent investments in technology and people will enable the company to identify and exploit optimal ROI customer segments. New hires in marketing and operations, a refreshed brand image and exciting alliance opportunities are all expected to contribute to continued improvement in our results.

A substantial portion of the company's cash flow is currently dedicated to debt service. Signature will seek to improve its capital structure in the medium term to enable greater financial flexibility.

INDUSTRY OUTLOOK

The residential and small commercial alarm installation and monitoring business remains competitive. Signature plans to leverage its capabilities, including best-in-class monitoring stations, and target higher value-add segments, such as multi-site commercial installations. Management is optimistic that its approach to expansion through select channels and partnerships will enable the company to grow in the coming years.

THE MANAGEMENT TEAM

Howard Watson completed his third year as CEO of

Signature and successfully led both an operational and financial turnaround. Mr. Watson is supported by a strengthened management team to execute the growth plan going forward.

Jeff Parr, Michael Wagman, and Mitch Green of Clairvest sit on the Board of Directors of Signature.

FINANCIAL PERFORMANCE (AU\$ MILLIONS)

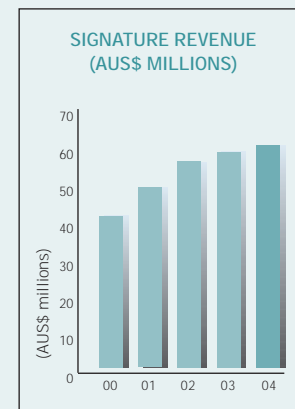
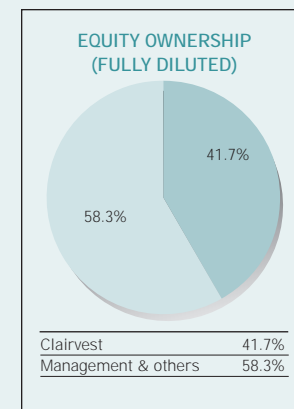
YEAR ENDED MARCH 31	2001	2002	2003	2004 ⁽¹⁾
Revenue	52.2	55.2	60.0	62.3
EBITDA	20.9	22.8	27.1	28.8
Margin	40.0%	41.3%	45.2%	46.2%
Monthly monitoring revenues	3.8	3.8	3.9	3.8
Net third-party debt	126.2	91.3	76.9	70.5

(1) Signature has elected to change its fiscal year end to June 30. Figures for 2004 represents the 12 months ended March 31, 2004.

INVESTMENT IN ORDINARY SHARES AND LOANS

(\$ MILLIONS)

	MAR. 31, 2003	MAR. 31, 2004
Cost	28.4	28.4
Net cash investment	28.4	28.4
Carrying value	28.4	28.4



Van-Rob is a best-in-class Tier 1 supplier of metal assemblies and modular systems 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.

EIGHT-TIME WINNER OF GM'S SUPPLIER OF THE YEAR AWARD

OUR PERFORMANCE

Management at Van-Rob did an excellent job managing the company through another difficult year in 2003, winning an unprecedented amount of new business while trying to maintain margins. EBITDA was an impressive \$34.2 million. The company has continued to pay down debt at a good rate.

WHERE WE'RE GOING

Van-Rob will continue to grow organically by winning new business from existing customers, as well as by forming relationships with new customers. This organic growth will be heavily weighted towards larger programs with higher engineering and value-added content. We believe the company's revenues will surpass \$400 million over the next five years from organic growth alone. In addition, Van-Rob will seek to make acquisitions to add new capabilities or customers.

INDUSTRY OUTLOOK

The automotive parts industry in North America will continue to be difficult as the sales volumes of North American-built automobiles declined from a record high in 2002, and are not expected to return to those levels this year.

Van-Rob's customers, which are primarily the Big 3 domestic auto manufacturers, continue to lose market share in North America. They will continue to apply enormous pressure on their suppliers to provide them with cost reductions and value-added services, and will continue to reduce the number of suppliers from which they purchase. As its customers have identified Van-Rob as a preferred supplier, we believe that the company can benefit from this rationalization. Revenue growth will be strong but margins will come under medium term pressure as the shake out continues.

THE MANAGEMENT TEAM

Van-Rob is led by founder and majority owner Peter van Schaik. Mr. van Schaik 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.

Ken Rotman and Jerry Heffernan of Clairvest sit on the Board of Directors of Van-Rob.

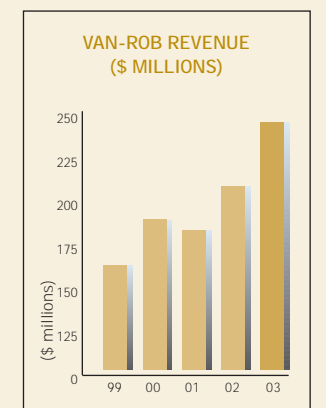
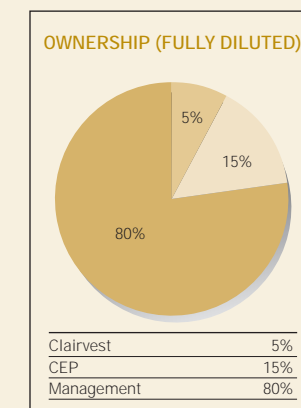
FINANCIAL PERFORMANCE (\$ MILLIONS)

YEAR ENDED DECEMBER 31	2000	2001	2002	2003
Revenue	193.2	187.1	210.4	245.9
EBITDA	18.9	25.6	33.3	34.2
Net bank debt	49.0	40.4	30.0	11.9

Note: results prior to 2003 exclude Mexican operations.

INVESTMENT IN PREFERRED SHARES (\$ MILLIONS)

	MAR. 31, 2003	MAR. 31, 2004
Cost	5.0	5.0
Net cash investment	5.0	5.0
Carrying value	5.0	5.0



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 electronic security and monitoring company in Canada.

INCREASED SALES AND EBITDA IN CHALLENGING YEAR FOR 2004

OUR PERFORMANCE

Following a year of focusing on business fundamentals in 2003, Voxcom maintained both its sales and EBITDA in 2004 – a year that saw the company's operations interrupted by a major fire that resulted in the closure of the head office for several months. Management's attention was directed to maintaining seamless service to its customers across the country and working with its insurers and other vital suppliers to restore the company's base.

WHERE WE'RE GOING

In fiscal 2005, Voxcom plans to re-establish its claims to Canadian electronic security and monitoring industry leadership and renewing the momentum established in 2002 and 2003, with a combined focus on new sales and maintenance of key operating metrics, notably customer attrition and new customer creation costs.

Management will also continue to monitor and evaluate acquisition opportunities as an industry consolidator.

Following the close of the fiscal year, Voxcom was taken private in a transaction partially underwritten by Clairvest.

INDUSTRY OUTLOOK

The Canadian electronic security market is highly fragmented and growing at a rate estimated to be more than 10 per cent annually. Overall penetration of the residential market is currently 15 per cent and expected to continue growing over the next several years. As expected, over the past year a number of high-profile security companies in the U.S. market experienced ownership changes.

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 the Board of Directors of Voxcom.

FINANCIAL PERFORMANCE (\$ MILLIONS)

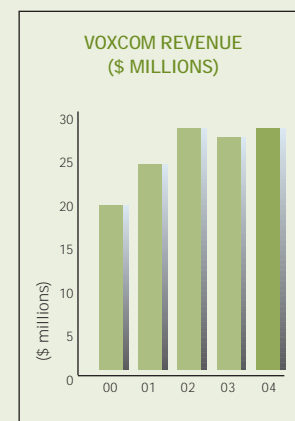
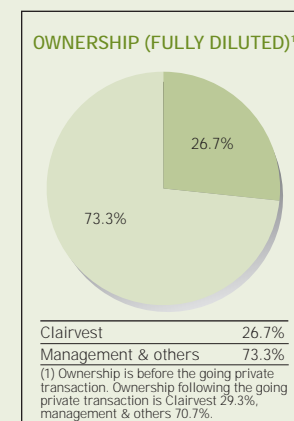
YEAR ENDED FEBRUARY 28	2001	2002	2003 ⁽¹⁾	2004
Revenue	25.4	27.7	27.0	27.7
EBITDA	7.2	12.9	13.6	14.0
Margin	28.3%	46.5%	50.4%	50.5%
Monthly monitoring revenue	1.8	1.9	1.9	2.0
Net debt	63.2	66.6	37.7	37.9

(1) EBITDA and margin before one-time charges associated with the recapitalization.

INVESTMENT IN COMMON AND PREFERRED SHARES

(\$ MILLIONS)

	MAR. 31, 2003	MAR. 31, 2004
Cost	12.8	12.8
Net cash investment	9.2	9.2
Carrying value	11.6	11.6



As at, and for the year ended, March 31, 2004

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, 2004, Clairvest had ten core investments in eight different industries. Four of these investments were joint investments with CEP. Clairvest also held investments in Wellington Financial Fund I ("Wellington Fund I") and Wellington Financial Fund II ("Wellington Fund II").

OVERVIEW OF FISCAL 2004

An overview of the significant events during fiscal 2004 follows:

- Clairvest sold 1,136,094 units of Gateway Casinos Income Fund ("Gateway Income Fund") for gross proceeds of \$17.8 million, bringing Clairvest's net cash realization on this investment to \$17.8 million. Clairvest continues to hold 3,365,876 units in Gateway Income Fund, representing 12.7% of the outstanding units.
- During fiscal 2003 Clairvest sold its investment in Sparkling Spring Water Holdings Limited ("Sparkling Spring") for proceeds of Cdn\$48.6 million, with the potential, subject to a number of conditions, to receive over time an additional US\$4.5 million that was held in escrow. US\$2.5 million (Cdn\$3.3 million) of these funds were released from escrow during fiscal 2004, with the remaining amounts still being held in escrow.
- During fiscal 2004 Clairvest entered into an agreement to purchase at least 406,504 common shares of Landauer Metropolitan Inc. ("Landauer") for US\$0.5 million, bringing Clairvest's ownership on a fully diluted basis to 13.6%. CEP entered into an agreement to purchase at least 1,219,513 common shares of Landauer, such that Clairvest and CEP's combined ownership on a fully diluted basis is 54.3%.
- During fiscal 2004 Clairvest committed to fund \$10.0 million to Wellington Fund II. Wellington Fund II had commitments from Clairvest and other investors totalling \$20.6 million at March 31, 2004. \$1.6 million of Clairvest's commitment had been funded at March 31, 2004.
- During fiscal 2004 Wellington Fund I returned all of the capital Clairvest had previously funded. At March 31, 2004 all loans previously provided by Wellington Fund I had been repaid. As well as having received back all of the capital previously funded, Clairvest has to date received \$1.3 million in distributions from Wellington Fund I. As a result of the raising of Wellington Fund II, all future loans will be provided by Wellington Fund II, with no further loans being provided by Wellington Fund I.
- A \$14.5 million write-down was taken to the carrying value of Clairvest's investment in NRI Industries Inc. ("NRI"). Clairvest's carrying value of \$10.1 million at March 31, 2004 compares to a cost of \$17.6 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The carrying value of Clairvest's investment in Consolidated Vendors Corporation ("Consolidated Vendors") was reduced by \$4.6 million, representing a \$1.6 million write-down of the investment and a \$3.0 million guarantee payable to CEP, which would be payable if Consolidated Vendors were disposed of at the current carrying value. Clairvest's carrying value of \$1.7 million at March 31, 2004 compares to a cost of \$6.0 million.
- Clairvest filed a new normal course issuer bid enabling it to make market purchases of up to 911,572 of its common shares in the 12-month period commencing March 4, 2004. As at June 30, 2004, Clairvest had purchased a total of 1,290,552 common shares under this, and a previous, normal course issuer bid at a total cost of \$9.9 million. Clairvest can purchase a further 522,772 common shares under its current normal course issuer bid.

FORWARD-LOOKING STATEMENTS

A number of the matters discussed in this MD&A deal with potential future circumstances and developments and may constitute "forward-looking" statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The impact of any one risk factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future considering all information then available.

All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF CLAIRVEST'S INVESTMENTS AT MARCH 31, 2004

Investment	Trading symbol and Exchange	Ownership percentage ⁽¹⁾	Cost of investment (millions)	Net cash investment (millions) ⁽⁴⁾	Carrying value of investment (millions) ⁽⁵⁾	Description of business
PUBLICLY-TRADED INVESTMENTS						
Datamark Systems Group Inc. ⁽¹⁾	DMK – TSX	36.5%	\$ 14.4	\$ 1.5	\$ 10.1	A business document management company with operations in Canada and the United States.
Gateway Casinos Income Fund ⁽²⁾	GCI.UN-TSX	12.7%	\$ 33.7	\$ (17.8)	\$ 51.3	A trust established to acquire six of the casinos managed by Gateway Casinos Inc.
Voxcom Incorporated ⁽³⁾	VOX – CDN	26.7%	\$ 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	8.4%	\$ 3.0	\$ 3.0	\$ 3.9	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	\$ 1.7	An independent vending operator in Michigan and Illinois, providing a full range of vended products.
Gateway Casinos Inc. ⁽⁶⁾	Private	28.4%	\$ 24.0	\$ –	\$ 70.4	A gaming management company that operates casinos in Western Canada.
Landauer Metropolitan Inc. ⁽⁷⁾	Private	13.6%	\$ 3.3	\$ 3.3	\$ 3.6	The dominant supplier of home medical equipment in the New York City area.
NRI Industries Inc. ⁽⁸⁾	Private	84.7%	\$ 17.6	\$ 17.6	\$ 10.1	A North American company that converts scrap rubber into value-added manufactured products.
Signature Security Group Holdings Pty. Limited ⁽⁹⁾	Private	41.7%	\$ 28.4	\$ 28.4	\$ 28.4	An electronic security company serving Australia and New Zealand.
Van-Rob 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 Fund I ⁽¹¹⁾	Private	71.4%	\$ –	\$ (1.3)	\$ 1.3	Provided bridge financing to growth companies in the technology and health sciences industries.
Wellington Financial Fund II ⁽¹²⁾	Private	48.7%	\$ 1.6	\$ 1.6	\$ 1.6	Provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies.
OTHER INVESTMENTS			\$ 0.4	\$ 0.4	\$ 0.4	
TOTAL INVESTMENTS			\$ 150.2	\$ 56.9	\$ 199.4	

- (1) Clairvest owns 4,675,670 common shares in Datamark. Clairvest received a total of \$12.9 million in tax-free dividends from Datamark to March 31, 2004, resulting in a net cash investment at March 31, 2004 of \$1.5 million. Carrying value is based on the quoted market price.
- (2) Clairvest owns 3,365,876 units in Gateway Income Fund. The 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 \$16.9 million of net proceeds on the sale of units, \$43.7 million in loans and \$7.0 million of distributions received, net of \$4.8 million of interest paid on the loan. Carrying value is based on the quoted market price less a discount due to Clairvest's 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. The common shares were sold to Voxcom in a going private transaction subsequent to year-end.
- (4) Clairvest owns 35,784 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 and net of a \$1.6 million write-down and a \$3.0 million guarantee payable to CEP, which would be payable if Consolidated Vendors were disposed of at the current carrying value. 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 to March 31, 2003, 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 nil as a result of \$17.5 million of loans received from Gateway Casinos, and \$6.5 million in distributions received. The investment is carried at cost plus a \$46.4 million cumulative upward adjustment to the carrying value.
- (7) Clairvest owns 1,906,250 10% cumulative convertible preferred shares in Landauer and has agreed to purchase at least 406,504 common shares for US\$0.5 million, US\$250,000 of which was paid during fiscal 2004. 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 preferred shares are carried at redemption value plus accrued dividends to March 31, 2002, net of a \$14.5 million write-down.
- (9) Clairvest owns 227,404,097 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 received back all of its capital it had previously funded to Wellington Fund I as well as \$1.3 million in distributions, resulting in a net cash realization on this investment of \$1.3 million. Carrying value is based on the underlying value of the warrants Wellington Fund I continues to hold.
- (12) Clairvest has committed to fund \$10.0 million to Wellington Fund II, \$1.6 million of which was funded at March 31, 2004. Carrying value is based on the underlying value of the loans and warrants held by Wellington Fund II.
- (13) Ownership percentage calculated on a fully diluted basis at March 31, 2004.
- (14) Net cash investment is cost net of dividends, interest and other distributions received but excludes advisory and other fees received.
- (15) 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.

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 is 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.

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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Clairvest's 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 income and expenses during the reporting period. On an on-going basis, management reviews its estimates and assumptions. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. The critical accounting estimates that have a material impact on Clairvest's consolidated financial statements are with respect to corporate investments and future tax liability.

Note 1 to the consolidated financial statements describes Clairvest's accounting policy for corporate investments. The process of determining the fair value of Clairvest's privately-held investments requires management to exercise judgment in making assumptions about the financial condition of the investment based on operational results, forecasts, financing and any other factors that may be relevant to the ongoing and realizable value of the investment.

Publicly-traded investments that are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. The process for determining the discount for such investments requires management to exercise judgment while considering 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 investment.

A change to an accounting estimate with respect to Clairvest's privately-held investments or publicly-traded investments would impact corporate investments and unrealized gains/losses on investments.

Note 1 to the consolidated financial statements describes Clairvest's accounting policy for income taxes. The process of determining future income tax assets and liabilities requires management to exercise judgment while considering the anticipated timing of disposal of corporate investments, and proceeds thereon, tax planning strategies, changes in tax laws and rates, and loss carry-forwards. A change to an accounting estimate with respect to future income taxes would impact future tax liability and provision for income taxes.

CHANGES IN ACCOUNTING POLICIES**Stock-Based Compensation**

In fiscal 2003, Clairvest adopted the recommendations of The Canadian Institute of Chartered Accountants' Section 3870, **Stock-Based Compensation and Other Stock-Based Payments** which originally encouraged, but now requires, the fair value based method of measuring all stock options granted. For fiscal 2003 Clairvest elected not to follow the fair value based method of accounting for stock options. As a result, Clairvest is required to disclose the pro-forma effects of accounting for stock options granted to employees and directors prior to fiscal 2004 using the fair value based method. Had Clairvest recorded compensation expense for stock options granted in fiscal 2003 using the fair value method, net income would have decreased by approximately \$74,000 for fiscal 2004.

In fiscal 2004, Clairvest adopted the November 2003 amendments to The Canadian Institute of Chartered Accountants' Section 3870, **Stock-Based Compensation and Other Stock-Based Payments** which now requires the fair value based method of measuring all stock options granted. Clairvest has prospectively applied the amendments effective April 1, 2003. Clairvest recorded compensation expense of \$57,000 with an offsetting credit to stock-based compensation in shareholders' equity for the stock options awarded to employees during fiscal 2004.

Generally Accepted Accounting Principles

Effective April 1, 2004, Clairvest prospectively adopted the recommendations of The Canadian Institute of Chartered Accountants Section 1100, **Generally Accepted Accounting Principles ("GAAP")**. The section establishes standards for financial reporting in accordance with GAAP by providing information regarding primary sources of GAAP in order of authority. The impact on the financial statements resulting from the adoption of the recommendations is not expected to be material.

Investment Companies

Effective April 1, 2004, Clairvest early-adopted, on a prospective basis, The Canadian Institute of Chartered Accountants Accounting Guideline 18, **Investment Companies**. The Guideline defines an investment company as a separate legal entity whose primary business activity is investments, and provides that an investment company should measure all of its investments at fair value and present them on this basis in its financial statements. The impact on the financial statements resulting from the adoption of the guideline is not expected to be material.

Consolidation of Variable Interest Entities

Effective January 1, 2005, Clairvest will prospectively adopt The Canadian Institute of Chartered Accountants Accounting Guideline 15, **Consolidation of Variable Interest Entities**. There are, however, certain disclosure requirements that are effective for annual and interim periods beginning on or after January 1, 2004. The Guideline addresses the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. The impact on the financial statements resulting from the adoption of the guideline has not yet been determined.

Hedging Relationships

Effective April 1, 2004, Clairvest prospectively adopted The Canadian Institute of Chartered Accountants Accounting Guideline 13, **Hedging Relationships**. The Guideline addresses the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. Clairvest expects its hedging program to comply with the new requirements. Accordingly, the impact on the financial statements resulting from the adoption of the guideline is not expected to be material.

OPERATING RESULTS

Consolidated statements of income (\$000's except per share information)

Year ended March 31,	2004	2003	2002
Net investment gains			
Realized gains (losses) on investments (net)	\$ 8,786	\$ 43,942	\$ (3,970)
Previously recognized unrealized (gains) losses (net)	(4,700)	(44,384)	2,836
Unrealized gains on investments (net)	6,943	43,941	24,105
	11,029	43,499	22,971
Other income			
Interest income	8,758	4,053	1,263
Dividend income	1,828	1,303	1,496
Management fees	2,712	2,673	2,901
Advisory and other fees	1,002	2,331	2,756
	14,300	10,360	8,416
Administration and other expenses	6,919	7,282	3,900
Finance expense	4,400	1,231	—
	11,319	8,513	3,900
Income before income taxes	14,010	45,346	27,487
Provision for income taxes	1,183	1,007	4,508
Net income	\$ 12,827	\$ 44,339	\$ 22,979
Net income per common share	\$ 0.62	\$ 2.12	\$ 1.15
Fully diluted net income per common share	\$ 0.59	\$ 1.99	\$ 1.11

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, 2004 was \$12.8 million, versus \$44.3 million for the year ended March 31, 2003 and \$23.0 million for the year ended March 31, 2002.

Clairvest realized gains on investments of \$8.8 million in fiscal 2004 versus gains of \$43.9 million in fiscal 2003 and losses of \$4.0 million in fiscal 2002. The gain in 2004 resulted from the sale of 1,136,094 units of Gateway Income Fund and the release of US\$2.5 million of the US\$4.5 million that is being held in escrow following the sale of Sparkling Spring in fiscal 2003. The gain in fiscal 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 2004 relate to unrealized gains on the 1,136,094 units of Gateway Income Fund that were recognized in fiscal 2004 and prior years. 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, the previously recognized unrealized gains or losses were reversed, and the full realized gain over original cost was recognized in the year of disposition.

Clairvest had unrealized gains on investments of \$6.9 million for the year ended March 31, 2004 versus \$43.9 million for the year ended March 31, 2003 and \$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:

Unrealized gains (losses) on investments (\$000's)

Year ended March 31,	2004	2003	2002
Investments in publicly-traded companies			
Datamark Systems Group Inc.	\$ (1,551)	\$ (4,930)	\$ 7,699
Gateway Casinos Income Fund	24,498	(2,181)	—
Voxcom Incorporated	35	(57)	(772)
	22,982	(7,168)	6,927
Investments in privately-held companies			
Allied Global Holdings Inc.	368	324	239
Consolidated Vendors Corporation	(3,930)	(610)	1,025
Gateway Casinos Inc.	2,006	38,362	6,000
Landauer Metropolitan Inc.	241	154	—
NRI Industries Inc.	(14,827)	(320)	1,175
Signature Security Group Holdings Pty. Limited	(113)	(2,544)	1,166
Sparkling Spring Water Holdings Limited	—	16,237	7,317
Wellington Financial Fund I	231	(494)	553
	(16,024)	51,109	17,475
Other investments	(15)	—	(297)
	\$ 6,943	\$ 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 2004 was \$8.8 million versus \$4.1 million in fiscal 2003 and \$1.3 million in fiscal 2002. Interest income for the year ended March 31, 2004 includes \$5.6 million in distributions from Gateway Income Fund versus \$1.4 million in fiscal 2003, when such distributions were received for the period from November 28, 2002, the date of the IPO of Gateway Income Fund, to March 31, 2003. No such distributions were received in fiscal 2002.

Dividend income of \$1.8 million for the year ended March 31, 2004 represented tax-free dividends earned from Gateway Casinos and Datamark Systems Group Inc. ("Datamark"). Dividend income for the year ended March 31, 2004 includes \$1.6 million received from Gateway Casinos versus \$0.6 million received in fiscal 2003, representing the period November 28, 2002 to March 31, 2003. No such dividends were received from Gateway Casinos in fiscal 2002. Datamark ceased paying dividends during fiscal 2004.

Management fees of \$2.7 million were earned as compensation for Clairvest's services in the administration of the portfolio of CEP for fiscal 2004 and fiscal 2003 and \$2.9 million was earned for fiscal 2002. The management fee is reduced to the extent of 75% of any fees earned by Clairvest from combined Clairvest/CEP corporate investments.

Advisory and other fees were \$1.0 million in fiscal 2004 versus \$2.3 million in fiscal 2003 and \$2.8 million in fiscal 2002. In fiscal 2003, Clairvest received \$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. In fiscal 2002, Clairvest received a distribution from Gateway Casinos of \$1.4 million, with no such distribution being received in fiscal 2004 or fiscal 2003.

Administration and other expenses was \$6.9 million in fiscal 2004 versus \$7.3 million in fiscal 2003 and \$3.9 million in fiscal 2002. Included in administration and other expenses was a \$1.9 million and \$2.3 million accrual under Clairvest's

MANAGEMENT'S DISCUSSION AND ANALYSIS

Incentive Bonus Program for fiscal 2004 and fiscal 2003 respectively. Also included for the year ended March 31, 2003 was a \$0.9 million foreign exchange loss on a forward contract.

Finance expense was \$4.4 million in fiscal 2004 versus \$1.2 million in fiscal 2003 and nil in fiscal 2002. Included in finance expense is \$3.5 million of interest on the loan payable to a subsidiary of Gateway Casinos for fiscal 2004 versus \$1.2 million for fiscal 2003, representing the period from November 28, 2002 to March 31, 2003. No such interest was payable in fiscal 2002. Finance expense for fiscal 2004 also includes \$0.9 million in costs on foreign exchange forward contracts.

SUMMARY OF QUARTERLY RESULTS

Quarterly results (\$000's except per share information)

	Net revenue \$	Net income (loss) \$	Net income (loss) per common share \$	Net income (loss) per common share fully diluted \$
March 31, 2004	13,642	9,199	0.44	0.43
December 31, 2003	18,037	14,152	0.69	0.66
September 30, 2003	(16,021)	(16,526)	(0.80)	(0.80)
June 30, 2003	9,671	6,002	0.29	0.27
March 31, 2003	1,849	(2,201)	(0.11)	(0.11)
December 31, 2002	53,188	49,594	2.37	2.29
September 30, 2002	(742)	(2,113)	(0.10)	(0.10)
June 30, 2002	(436)	(941)	(0.05)	(0.05)

Significant variations arise in the quarterly results due to unrealized gains/losses on investments which result from Clairvest re-valuing its investments on a quarterly basis. The values at which publicly-traded investments are carried are subject to fluctuations in the public markets from quarter to quarter. The privately-held investments are re-valued when an adjustment is considered appropriate, and is supported by sufficient persuasive and objective evidence. In the second quarter of fiscal 2004, Clairvest had a \$14.5 million downward adjustment to the carrying value of its investment in NRI and a \$4.6 million downward adjustment to the carrying value of its investment in Consolidated Vendors. In the fourth quarter of fiscal 2004, Clairvest had a \$2.0 million net upward adjustment to the carrying value of Gateway Casinos.

FOURTH QUARTER RESULTS

In the fourth quarter of 2004, Clairvest sold 1,136,094 units of Gateway Income Fund, recognizing a gain of \$5.5 million. Previously recognized gains of \$4.7 million on these units were reversed in the fourth quarter of 2004 upon the recognition of the realized gain. Also in the fourth quarter of 2004, \$2.8 million (US\$2.2 million) of the Sparkling Spring funds that were held in escrow following the sale of Sparkling Spring in fiscal 2003 were recognized in income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL POSITION AND LIQUIDITY

Consolidated balance sheets (\$000's)

As at March 31,	2004	2003	2002
Assets			
Cash and cash equivalents	\$ 4,695	\$ 15,181	\$ 4,064
Temporary investments	88,913	78,933	40,309
Accounts receivable and other assets	5,629	2,190	1,731
Deferred loss on foreign exchange forward contracts	2,801	—	—
Corporate investments	199,448	210,170	150,124
	\$ 301,486	\$ 306,474	\$ 196,228
Liabilities			
Accounts payable	\$ 3,456	\$ 3,355	\$ 829
Income taxes payable	—	7,376	273
Loans payable	61,224	66,382	—
Future tax liability	2,365	908	8,884
	67,045	78,021	9,986
Shareholders' equity			
Share capital	110,151	112,426	112,452
Shares purchased for cancellation	(407)	—	—
Stock-based compensation	57	—	—
Retained earnings	124,640	116,027	73,790
	234,441	228,453	186,242
	\$ 301,486	\$ 306,474	\$ 196,228

With \$93.6 million in cash and cash equivalents and temporary 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, 2004.

Accounts receivable and other assets increased \$3.4 million to \$5.6 million at March 31, 2004. Included in accounts receivable and other assets at March 31, 2004 was \$2.8 million representing the release of a portion of the funds held in escrow following the sale of Sparkling Spring in fiscal 2003. These funds were received subsequent to year-end.

Deferred loss on foreign exchange forward contracts at March 31, 2004 was \$2.8 million. Clairvest enters into foreign exchange forward contracts to hedge its exposure to exchange rate fluctuations on its investments. The \$2.8 million represents net cumulative exchange losses on the rolling of these forward contracts. The net cumulative exchange losses at March 31, 2003 were not significant.

Income taxes payable decreased \$7.4 million to nil at March 31, 2004. Income taxes payable at March 31, 2003 was comprised primarily of income taxes payable as a result of the sale of Sparkling Spring. Income taxes were in a recoverable position at March 31, 2004, and were included in accounts receivable and other assets. Future tax liability increased \$1.5 million to \$2.4 million at March 31, 2004. The increase is primarily due to unrealized gains on investments for the year.

Clairvest's financial liabilities are comprised of loans payable from Gateway Casinos entities which arose as part of the IPO of Gateway Income Fund in fiscal 2003. Loans payable were \$61.2 million, \$66.4 million and nil for fiscal 2004, fiscal 2003 and fiscal 2002 respectively. In fiscal 2003, Clairvest received two loans totalling \$66.4 million from Gateway Casinos entities. The first loan was a \$21.4 million 30-year, non-interest bearing loan, repayable on demand and secured by the units held by Clairvest in the limited partnership that owns Gateway Casinos. The second loan was a \$45.0 million 30-year loan bearing interest at 8.05% per annum and secured by the units held by Clairvest in Gateway Income Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During fiscal 2004 Clairvest repaid \$4.4 million of the 30-year non-interest bearing loan.

Upon the sale of units of Gateway Income Fund during fiscal 2004, Clairvest was required to repay \$11.3 million of the 30-year, interest-bearing loan. Thereafter, Clairvest received from a Gateway Casinos entity a loan in the amount of \$10.0 million. This loan is non-interest bearing and repayable on demand at any time after December 31, 2004. Clairvest anticipates that the loan will be repaid shortly after December 31, 2004 and Clairvest anticipates that a Gateway Casinos entity will pay a dividend shortly after December 31, 2004, Clairvest's share of which will be \$10.0 million.

On a monthly basis, Clairvest receives distributions from Gateway Income Fund. Clairvest uses a portion of these proceeds to pay monthly interest on the 30-year, interest-bearing loan from a Gateway Casinos entity. Gateway Casinos loans a portion of these interest proceeds back to Clairvest on a monthly basis. At March 31, 2004, Gateway Casinos had loaned a total of \$0.5 million to Clairvest. These loans are non-interest bearing and repayable on demand at any time after December 31, 2004. Clairvest anticipates that these loans will be repaid shortly after December 31, 2004 and Clairvest anticipates that a Gateway Casinos entity will pay a dividend shortly after December 31, 2004, Clairvest's share of which will be \$0.5 million.

Share capital decreased \$2.3 million during the year ended March 31, 2004. The decrease resulted from the purchase and cancellation of common shares under the normal course issuer bids, net of common shares issued on the exercise of stock options. During fiscal 2004 Clairvest purchased and cancelled 896,752 common shares under its normal course issuer bids at a total cost of \$6.7 million. During fiscal 2004 Clairvest also purchased 49,000 common shares under its normal course issuer bid at a cost of \$407,000, which were cancelled subsequent to year-end. As at June 30, 2004, Clairvest had purchased a total of 1,290,552 common shares under the normal course issuer bids at a total cost of \$9.9 million. During fiscal 2004 Clairvest issued 435,600 common shares on the exercise of stock options.

At March 31, 2004, Clairvest had 18,231,438 common shares and 2,230,954 non-voting shares issued and outstanding. At March 31, 2004, Clairvest had 1,526,000 stock options outstanding, 937,200 of which were exercisable at March 31, 2004.

At June 30, 2004, Clairvest had 17,843,938 common shares, 2,230,954 non-voting shares and 1,567,254 stock options outstanding. At June 30, 2004, 1,047,000 of the stock options were exercisable. Options are exercisable for one common share.

Clairvest's non-voting shares are convertible into common shares commencing August 21, 2011, and for a period of 90 days thereafter. Each non-voting share is convertible into that many common shares as determined by dividing i) the book value (on a fully-diluted basis) for each common share determined at the end of the fiscal quarter that was most recently completed prior to conversion, by ii) the weighted average trading price of the common shares for the 90 day period ending on the date of conversion. Each non-voting share will convert to not less than 1.0 common share, or greater than 1.976 common shares.

Clairvest paid cash dividends of \$0.10 per share on the common shares and non-voting shares in fiscal 2004 and 2003, and \$0.10 per share on the common shares in fiscal 2002.

As is typical of a merchant bank, Clairvest's main asset is its corporate investments. Corporate investments decreased \$10.7 million to \$199.4 million at March 31, 2004. The decrease is comprised primarily of the sale of units of Gateway Income Fund with a carrying value of \$16.1 million and the return of \$3.1 million from Wellington Fund I, net of unrealized gains on investments of \$6.9 million and a \$1.6 million investment in Wellington Fund II. Corporate investments increased \$60.0 million from \$150.1 million at March 31, 2002 to \$210.2 million at March 31, 2003. The increase resulted primarily from the acquisition of Gateway Income Fund, Landauer and Van-Rob, together with unrealized gains, net of the sale of Sparkling Spring.

A discussion on the activity in each corporate investment for the year ended March 31, 2004 follows.

DATAMARK SYSTEMS GROUP INC.

At March 31, 2004 Clairvest owned 4,675,670 common shares in Datamark, and held 10,000 options to acquire Datamark shares at \$2.21 per share and 10,000 options to acquire Datamark shares at \$2.02 per share. The shares in Datamark were carried at the quoted market price at March 31, 2004 and the options were valued at the difference between the exercise price and the quoted market price.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The carrying value of Clairvest's investment in Datamark decreased \$1.6 million to \$10.1 million at March 31, 2004. The unrealized loss of \$1.6 million resulted from the decrease in share price from \$2.50 per share at March 31, 2003 to \$2.17 per share at March 31, 2004. Clairvest recorded an unrealized loss of \$4.9 million for the year ended March 31, 2003, as a result of movements in the quoted market price from \$3.55 per share to \$2.50 per share.

The carrying value of \$10.1 million at March 31, 2004 compares to a cost of \$14.4 million. The net cash investment at March 31, 2004 was \$1.5 million as a result of \$12.9 million of tax-free dividends received to date.

GATEWAY CASINOS INCOME FUND

At March 31, 2004, Clairvest owned 3,365,876 units in Gateway Income Fund. At March 31, 2004, the units were carried at the quoted market price less a discount due to Clairvest's estimated cost of disposition.

The carrying value of Clairvest's investment in Gateway Income Fund increased \$8.4 million to \$51.3 million at March 31, 2004. The increase is comprised of a \$24.5 million unrealized gain, net of the sale of units with a carrying value of \$16.1 million. The unrealized gain of \$24.5 million resulted from the increase in unit price from \$10.50 per unit at March 31, 2003 to \$16.81 per unit at March 31, 2004. Clairvest recorded an unrealized loss of \$2.2 million for the year ended March 31, 2003 as a result of the discount taken on the issuance price, 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 \$51.3 million at March 31, 2004 compares to a cost of \$33.7 million. The net cash realization on the investment at March 31, 2004 was \$17.8 million as a result of \$16.9 million of net proceeds on the sale of units, \$43.7 million of loans and \$7.0 million of distributions received, net of \$4.8 million of interest paid on the 30-year, interest-bearing loan.

VOXCOM INCORPORATED

At March 31, 2004, 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, 2004, the preferred shares were carried at cost and the warrants were carried at nil.

The carrying value of Clairvest's investment in Voxcom increased \$35,000 to \$11.6 million at March 31, 2004. The unrealized gain of \$35,000 is the result of the increase in the common share price from \$0.45 at March 31, 2003 to \$0.60 at March 31, 2004. Clairvest recorded an unrealized loss of \$57,000 for the year ended March 31, 2003, as a result of movements in the quoted market price of the common shares from \$0.70 per share to \$0.45 per share.

The carrying value of \$11.6 million at March 31, 2004 compares to a cost of \$12.8 million. The net cash investment at March 31, 2004 was \$9.2 million as a result of the rolling of a total of \$3.6 million of fees and interest into preferred shares.

Subsequent to year-end, Clairvest sold its common shares to Voxcom for gross proceeds of \$237,000 as part of a going private transaction by Voxcom. Also as part of the going private transaction, Clairvest provided a Letter of Credit in the amount of \$768,000 to Voxcom's banks.

ALLIED GLOBAL HOLDINGS INC.

At March 31, 2004, Clairvest owned 35,784 10% convertible Class B preferred shares in Allied Global Holdings Inc. ("Allied"). At March 31, 2004, the preferred shares were carried at cost plus accrued dividends.

The carrying value of Clairvest's investment in Allied increased \$368,000 to \$3.9 million at March 31, 2004. The unrealized gain of \$368,000 resulted from dividends accruing on the preferred shares. \$278,400 of accrued dividends were received during the year by way of a stock dividend of 2,784 preferred shares. Clairvest recorded an unrealized gain of \$324,000 for the year ended March 31, 2003, as a result of dividends accruing on the preferred shares.

The carrying value of \$3.9 million at March 31, 2004 compares to a cost of \$3.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED VENDORS CORPORATION

At March 31, 2004, 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, 2004, the common shares and preferred shares were carried at cost, net of a \$1.6 million write-down on the carrying value of the investment and a \$3.0 million guarantee payable to CEP, which would be payable if Consolidated Vendors were disposed of at the current carrying value. The senior debt was carried at cost plus accrued interest to March 31, 2003, 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 decreased \$4.4 million to \$1.7 million at March 31, 2004. The decrease is comprised primarily of a \$1.6 million write-down to the carrying value of the investment and a \$3.0 million guarantee payable to CEP, which would be payable if Consolidated Vendors were disposed of at the current carrying value. Management determined that the \$1.6 million write-down was appropriate in light of the continued depressed economic conditions in Michigan. The guarantee payable has arisen as a result of Clairvest's sale of certain shares of Consolidated Vendors to CEP during fiscal 2002, and Clairvest's guarantee to compensate CEP for up to \$5.7 million for certain deficiencies that CEP may incur on these shares. If CEP's investment in Consolidated Vendors were disposed of at a value consistent with Clairvest's current carrying value of this investment, Clairvest would owe CEP \$3.0 million under this guarantee.

The carrying value of \$1.7 million at March 31, 2004 compares to a cost of \$6.0 million.

GATEWAY CASINOS INC.

At March 31, 2004, Clairvest owned 28.4% of a limited partnership that owned Gateway Casinos. At March 31, 2004, the investment in Gateway Casinos was carried at cost plus a \$46.4 million cumulative upward adjustment.

The carrying value of Clairvest's investment in Gateway Casinos increased \$2.0 million to \$70.4 million at March 31, 2004. The \$2.0 million upward adjustment was determined by management to be appropriate in light of recent advances in the development and relocation of several of Gateway Casinos' casinos. Clairvest recorded an upward adjustment of \$38.4 million for the year ended March 31, 2003, which management determined was appropriate in light of the value that was created on the transfer of six casinos from Gateway Casinos to Gateway Income Fund.

The carrying value of \$70.4 million at March 31, 2004 compares to a cost of \$24.0 million. The net cash investment at March 31, 2004 was nil as a result of \$17.5 million of loans, and \$6.5 million of distributions received.

LANDAUER METROPOLITAN INC.

At March 31, 2004, Clairvest owned 1,906,250 10% cumulative convertible preferred shares in Landauer. At March 31, 2004, Clairvest had entered into an agreement to purchase at least 406,504 common shares of Landauer for US\$0.5 million. During fiscal 2004, Clairvest paid \$331,000 (US\$250,000) of the purchase price. Subsequent to year-end, Clairvest paid the remaining \$330,000 (US\$250,000) of the purchase price. At March 31, 2004, the preferred shares were carried at cost plus accrued dividends, converted into Canadian dollars.

The carrying value of Clairvest's investment in Landauer increased \$0.5 million to \$3.6 million at March 31, 2004. The increase is comprised of an unrealized gain of \$241,000 as a result of dividends accruing on the preferred shares and \$331,000 related to the purchase of common shares.

The carrying value of \$3.6 million at March 31, 2004 compares to a cost of \$3.3 million.

NRI INDUSTRIES INC.

At March 31, 2004, 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. At March 31, 2004, the common shares were carried at cost and the preferred shares were carried at their redemption values plus accrued dividends to March 31, 2002, net of a \$14.5 million downward adjustment to the carrying value of the investment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The carrying value of Clairvest's investment in NRI decreased \$14.8 million to \$10.1 million at March 31, 2004. The unrealized loss of \$14.8 million resulted primarily from a \$14.5 million write-down to the carrying value of the investment. Management determined this write-down to be appropriate in light of the continued slowdown in auto sales and in the US economy, and the negative impact of a stronger Canadian dollar on NRI. Clairvest recorded an unrealized loss of \$320,000 for the year ended March 31, 2003 as a result of the effect of foreign exchange movements on the Class D preferred shares, which are redeemable in US dollars.

The carrying value of \$10.1 million at March 31, 2004 compares to a cost of \$17.6 million.

SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED

At March 31, 2004, Clairvest owned 227,404,097 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, 2004, the ordinary shares and loans were carried at cost, converted into Canadian dollars.

The carrying value of \$28.4 million at March 31, 2004 compares to a cost of \$28.4 million.

VAN-ROB INC.

At March 31, 2004, Clairvest owned 5,000,000 Class A special convertible shares in Van-Rob. At March 31, 2004 the special shares were carried at cost.

The carrying value of \$5.0 million at March 31, 2004 compares to a cost of \$5.0 million.

WELLINGTON FINANCIAL FUND I

At March 31, 2004, all of the capital that Clairvest had previously funded to Wellington Fund I had been returned to Clairvest. At March 31, 2004, all loans previously provided by Wellington Fund I had been repaid. As a result of the raising of Wellington Fund II, all future loans will be provided by Wellington Fund II, with no further loans being provided by Wellington Fund I. At March 31, 2004, the investment in Wellington Fund I was carried at the underlying value of the warrants Wellington Fund I continued to hold. The warrants were carried at the difference between the exercise price and the quoted market price.

The carrying value of Clairvest's investment in Wellington Fund I decreased \$2.9 million to \$1.3 million at March 31, 2004. The decrease is made up primarily of the return of \$3.1 million of capital and distributions, net of an unrealized gain of \$231,000. The unrealized gain of \$231,000 is as a result of movements in the price of the shares underlying the warrants held by Wellington Fund I. Clairvest recorded an unrealized loss of \$494,000 for the year ended March 31, 2003 as a result of movements in the price of the underlying shares of the warrants held by Wellington Fund I.

The carrying value of \$1.3 million at March 31, 2004 compares to a cost of nil. As a result of \$1.3 million in distributions received to March 31, 2004, the net cash realization was \$1.3 million.

WELLINGTON FINANCIAL FUND II

At March 31, 2004, Clairvest had funded \$1.6 million of its \$10.0 million commitment to Wellington Fund II. At March 31, 2004, the investment in Wellington Fund II was carried at the underlying value of the loans and warrants held by Wellington Fund II. 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 \$1.6 million compares to a cost of \$1.6 million at March 31, 2004.

TRANSACTIONS WITH RELATED PARTIES

Clairvest, as manager of CEP and parent company of the General Partner of CEP, has entered into various transactions with CEP. As manager of CEP, Clairvest is entitled to a management fee as compensation for its services in the administration of the portfolio of CEP. During fiscal 2004 CEP paid Clairvest net management fees of \$2.7 million. At March 31, 2004, Clairvest had accounts receivable from CEP totalling \$1,000.

The General Partner of CEP, a wholly-owned subsidiary of Clairvest, is entitled to participate in distributions made by CEP. The distribution to the General Partner will be determined based on the overall performance of CEP and no such distribution is permitted until CEP's limited partners have received all amounts contributed to CEP and a 6% compound annual return on that amount. The distributions received by the General Partner will be allocated 50% to Clairvest and 50% to a limited partnership (the "Participation Partnership") whose limited partners are principals and employees of Clairvest. Clairvest's principals and employees ("Investors") purchased, at fair market value, units of the Participation Partnership subsequent to year-end and Clairvest contemplates issuing additional units in the Participation Partnership to Investors from time to time. To date, CEP has not made any distributions to the General Partner.

Clairvest has guaranteed \$3.0 million of CEP's obligations to the Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.

During fiscal 2002, Clairvest sold certain shares of Consolidated Vendors to CEP, and guaranteed to compensate CEP for up to \$5.7 million for certain deficiencies that CEP may incur on these shares. Clairvest would owe CEP \$3.0 million under this guarantee if Consolidated Vendors were disposed of at the current carrying value. The \$3.0 million has been included as an offset against the carrying value of Clairvest's investment in Consolidated Vendors.

Clairvest has also entered into various transactions with its corporate investments. During fiscal 2004 Clairvest received \$5.7 million in interest, \$1.8 million in dividends and \$1.0 million in advisory and other fees from its corporate investments. During fiscal 2004 Clairvest paid \$3.5 million in interest on the loan from a Gateway Casinos entity. At March 31, 2004, Clairvest had accounts receivable from corporate investments totalling \$767,000.

At March 31, 2004, Clairvest also had a \$2.8 million receivable from Sparkling Spring, representing a portion of the funds that were held in escrow following the sale of the investment in fiscal 2003. The \$2.8 million was received subsequent to year-end. Clairvest has not reflected on the consolidated balance sheet or income statement the remaining US\$2.1 million that continues to be held in escrow.

At March 31, 2004, Clairvest had loans receivable from certain officers of the Company or officers of corporate investments (the "Officers") totalling \$1.1 million. The loans have full recourse and are collateralized by the common shares of Clairvest purchased by the Officers with a market value of \$1.3 million.

OFF-BALANCE SHEET ARRANGEMENTS

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 \$17.3 million has been funded to March 31, 2004. 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.

Clairvest has committed to fund \$10.0 million to Wellington Fund II, of which \$1.6 million has been funded to March 31, 2004.

Clairvest enters into foreign exchange forward contracts to manage the risks arising from fluctuations in exchange rates on its foreign investments. At March 31, 2004, Clairvest had entered into forward contracts to sell AUS\$31.3 million and US\$3.4 million. The fair value of these contracts at March 31, 2004 was (\$1.4 million) for the Australian dollar contracts and \$104,000 for the U.S. dollar contracts.

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 carrying value of its foreign investments.

Clairvest has some exposure to the financial markets, as approximately 37% of the carrying value of Clairvest's investments at March 31, 2004, 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 acts 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 the cost of these holdings have a value cushion in the event of any general market value fluctuations.

Fluctuations in interest rates affect Clairvest's income derived from cash, cash equivalents, and temporary 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 four months of fiscal 2005, we have continued to assist our investee companies in solidifying their strategies and enhancing their value propositions. We also continued to actively pursue investment opportunities, using our domain-based proprietary research to explore a number of industries and uncover new potential investments.

Subsequent to year-end, Clairvest, together with CEP, closed a new investment in N-Brook Mortgage LP ("N-Brook"). Clairvest committed to invest up to \$5.0 million in N-Brook, for a 13.2% fully diluted ownership interest. N-Brook originates, adjudicates and underwrites first-ranking mortgages on owner-occupied, residential real estate in Ontario.

Also subsequent to year-end, Clairvest completed the purchase of 406,504 common shares of Landauer. During fiscal 2004, Clairvest had entered into an agreement to purchase these shares for US\$0.5 million. \$331,000 (US\$250,000) of the purchase price was paid during fiscal 2004, and the remaining \$330,000 (US\$250,000) was paid in July 2004.

Also subsequent to year-end, Clairvest sold its common shares in Voxcom to Voxcom for gross proceeds of \$237,000 as part of a going private transaction by Voxcom. Also as part of the going private transaction, Clairvest provided a Letter of Credit in the amount of \$768,000 to Voxcom's banks.

At March 31, 2004, Clairvest had \$93.6 million in cash, cash equivalents and temporary investments and \$105.8 million of additional capital through CEP to fund new investments. With this capital on hand, we are well positioned to support the growth of our existing investments and pursue new investment opportunities. As always, we will stick to our disciplines to find solid investments that fit our investment criteria and provide the potential for superior, risk-adjusted returns.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

As at March 31

\$000's	2004	2003
ASSETS		
Cash and cash equivalents (Note 3)	\$ 4,695	\$ 15,181
Temporary investments (Note 4)	88,913	78,933
Accounts receivable and other assets (Note 5a)	5,629	2,190
Deferred loss on foreign exchange forward contracts	2,801	—
Corporate investments (Note 6)	199,448	210,170
	\$ 301,486	\$ 306,474
LIABILITIES		
Accounts payable	\$ 3,456	\$ 3,355
Income taxes payable	—	7,376
Loans payable (Note 7)	61,224	66,382
Future tax liability (Note 9)	2,365	908
	67,045	78,021
Contingencies and commitments (Notes 5, 6, 7, 13 and 14)		
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	110,151	112,426
Shares purchased for cancellation (Note 10)	(407)	—
Stock-based compensation (Note 11)	57	—
Retained earnings	124,640	116,027
	234,441	228,453
	\$ 301,486	\$ 306,474

(see accompanying notes to consolidated financial statements)

On behalf of the Board:



PHILIP S. ORSINO
Director
Clairvest Group Inc.



JOSEPH J. HEFFERNAN
Director
Clairvest Group Inc.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31

\$000's (except per share information)	2004	2003
NET INVESTMENT GAINS		
Realized gains on investments (net)	\$ 8,786	\$ 43,942
Previously recognized unrealized gains (net) (Note 2f)	(4,700)	(44,384)
Unrealized gains on investments (net)	6,943	43,941
	11,029	43,499
OTHER INCOME		
Interest income (Notes 5b and 5f)	8,758	4,053
Dividend income (Note 5f)	1,828	1,303
Management fees (Note 5c)	2,712	2,673
Advisory and other fees (Note 5f)	1,002	2,331
	14,300	10,360
Administration and other expenses	6,919	7,282
Finance expense (Note 5f)	4,400	1,231
	11,319	8,513
Income before income taxes	14,010	45,346
Provision for income taxes (Note 9)	1,183	1,007
Net income	\$ 12,827	\$ 44,339
Basic net income per share (Note 10)	\$ 0.62	\$ 2.12
Fully diluted net income per share (Note 10)	\$ 0.59	\$ 1.99

(see accompanying notes to consolidated financial statements)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended March 31

\$000's	2004	2003
Retained earnings, beginning of year	\$ 116,027	\$ 73,790
Net income	12,827	44,339
	128,854	118,129
Dividends paid	(2,072)	(2,093)
Purchase and cancellation of shares (Note 10)	(2,142)	(9)
Retained earnings, end of year	\$ 124,640	\$ 116,027

(see accompanying notes to consolidated financial statements)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31

\$000's	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 12,827	\$ 44,339
Add (deduct) items not involving a current cash outlay		
Amortization	84	87
Stock-based compensation	57	—
Future income taxes (recovered)	1,457	(7,976)
Realized gains on investments (net)	(8,786)	(43,942)
Previously recognized unrealized gains (net)	4,700	44,384
Unrealized gains on investments (net)	(6,943)	(43,941)
Non-cash income relating to corporate investments	980	(120)
	4,376	(7,169)
Net change in non-cash working capital balances related to operations (Note 12)	(10,798)	9,083
	(6,422)	1,914
CASH FLOWS FROM FINANCING ACTIVITIES		
Cancellation of common shares (Note 10)	(6,734)	(35)
Shares purchased for cancellation (Note 10)	(407)	—
Issuance of common shares	2,317	—
Loans payable (repayment)	(5,158)	66,382
Dividends paid	(2,072)	(2,093)
	(12,054)	64,254
CASH FLOWS FROM INVESTING ACTIVITIES		
Temporary investments (net)	(9,980)	(38,624)
Acquisition of corporate investments	(1,966)	(69,345)
Proceeds on sale of corporate investments	20,147	48,659
Costs on realization of foreign exchange forward contracts	(3,253)	(2,009)
Return of capital from corporate investments	3,042	6,268
	7,990	(55,051)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,486)	11,117
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,181	4,064
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 12)	\$ 4,695	\$ 15,181
SUPPLEMENTAL CASH FLOW INFORMATION		
Income taxes paid	\$ 9,232	\$ 2,126
Interest paid	\$ 3,587	\$ 923

(see accompanying notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004 and 2003 (tabular dollar amounts in thousands)

1. NATURE OF ACTIVITIES

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Principles of Consolidation

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

(b) Corporate Investments

(i) Publicly-traded investments

Securities 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 consolidated balance sheet dates or the closing price on the last day the security traded if there were no trades at the consolidated 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 an other than temporary 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 which are accounted for as follows:

- Loans are valued at the lesser of their discounted cash flow or the fair value of the underlying collateral.
- Convertible debentures and convertible notes are valued at the greater of their loan value amount as described above or as though converted to common shares.
- Options and warrants 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. 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) Temporary Investments

Temporary investments are carried at the lower of cost and estimated market value.

(d) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. The carrying value and cost of foreign investments has been translated into Canadian dollars at the rate of exchange prevailing at the time of purchase.

(e) Financial Instruments

The Company periodically enters into foreign exchange forward contracts to hedge its exposure to exchange rate fluctuations on its investments. These instruments are accounted for as hedges as there is reasonable assurance that they will offset the applicable exposures arising from the Company's investments. Exchange gains or losses on these foreign exchange forward contracts are capitalized until such time as the underlying investment is sold or written down, at which time the exchange gains or losses, or a portion thereof, are included in income. The forward premiums or points arising under the foreign exchange forward contract are amortized to income over the term of the contract.

(f) 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 income on an accrual basis when the services are performed. Interest income is recognized on an accrual basis and dividend income is recorded on the ex-dividend date.

(g) 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.

(h) Stock-Based Compensation Plan

In fiscal 2003, the Company adopted the recommendations of The Canadian Institute of Chartered Accountants' Section 3870, **Stock-Based Compensation and Other Stock-Based Payments** which originally encouraged, but now requires, the fair value based method of measuring all stock options granted.

During fiscal 2004, the Company adopted the November 2003 amendments to The Canadian Institute of Chartered Accountants' Section 3870, **Stock-Based Compensation and Other Stock-Based Payments** which now requires the fair value based method of measuring all stock options granted. The Company has prospectively applied the amendments effective April 1, 2003. Accordingly, compensation expense has been recognized for all stock options granted in fiscal 2004.

The Company previously elected not to follow the fair value based method of accounting for stock options. As a result,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the Company is required to disclose the pro-forma effects of accounting for stock options granted to employees and directors prior to fiscal 2004 using the fair value based method.

(i) Net Income Per Share

Basic net income per share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted net income 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.

(j) Use of 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 income and expenses during the reporting period. Actual results could differ from those estimates.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and highly liquid investments with maturities of less than 90 days from the date of acquisition. Cash equivalents consist of money market funds and bankers' acceptances.

4. TEMPORARY INVESTMENTS

Temporary investments have maturities greater than 90 days and consist of corporate notes and debentures. The yield on these investments ranges between 2.0% and 3.9% (2003 – between 2.7% and 4.7%) with a weighted average yield thereon of 2.8% (2003 – 3.3%).

5. RELATED PARTY TRANSACTIONS

(a) Share purchase loans made to certain officers of the Company or officers of corporate investments totalling \$1,144,000 (2003 – \$558,000) 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 \$1,321,000 (2003 – \$631,000). Loans are repayable upon departure of the officer. Also included in accounts receivable and other assets are receivables from Clairvest's corporate investments totalling \$767,000 (2003 – \$1,135,000), from Clairvest Equity Partners Limited Partnership ("CEP") totalling \$1,000 (2003 – \$23,000) and from a corporate investment previously disposed of totalling \$2,837,000 (2003 – nil). The \$2,837,000 owing from a corporate investment previously disposed of was received subsequent to year-end.

(b) Loans, including non-interest bearing loans and loans bearing interest at the prime rate, were made by the Company to CEP during fiscal 2003 and were repaid during fiscal 2003. Interest of nil (2003 – \$178,000) was received from CEP during fiscal 2004.

(c) Clairvest has entered into a Management Agreement with the General Partner of CEP, appointing Clairvest as the Manager of CEP. The General Partner is a wholly-owned subsidiary of Clairvest. 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 at 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 2004, CEP paid Clairvest net management fees of \$2.7 million (2003 – \$2.7 million) as compensation for its services in the administration of the portfolio of CEP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (d) 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.
- (e) During fiscal 2003 Clairvest entered into an agreement to guarantee \$3.0 million of CEP's obligations to the Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.
- (f) During fiscal 2004 Clairvest received \$5.7 million (2003 - \$2.9 million) in interest, \$1.8 million (2003 - \$1.3 million) in dividends and \$1.0 million (2003 - \$2.3 million) in advisory and other fees from its corporate investments. During fiscal 2004 Clairvest paid \$3.5 million (2003 - \$1.2 million) in interest to Gateway Casinos Inc.

6. CORPORATE INVESTMENTS

	2004			2003		
	Carrying value	Cost	Difference	Carrying value	Cost	Difference
Investments in publicly-traded companies						
Datamark Systems Group Inc.	\$ 10,148	\$ 14,421	\$ (4,273)	\$ 11,699	\$ 14,421	\$ (2,722)
Gateway Casinos Income Fund	51,276	33,659	17,617	42,839	45,020	(2,181)
Voxcom Incorporated	11,624	12,775	(1,151)	11,589	12,775	(1,186)
	73,048	60,855	12,193	66,127	72,216	(6,089)
Investments in privately-held companies						
Allied Global Holdings Inc.	3,931	3,000	931	3,563	3,000	563
Consolidated Vendors Corporation	1,674	6,030	(4,356)	6,089	6,030	59
Gateway Casinos Inc.	70,368	24,000	46,368	68,362	24,000	44,362
Landauer Metropolitan Inc.	3,645	3,306	339	3,083	2,976	107
NRI Industries Inc.	10,080	17,613	(7,533)	24,907	17,613	7,294
Signature Security Group Holdings Pty. Limited	28,421	28,421	—	28,421	28,421	—
Van-Rob Inc.	5,000	5,000	—	5,000	5,000	—
Wellington Financial Fund I	1,290	—	1,290	4,207	2,558	1,649
Wellington Financial Fund II	1,635	1,635	—	—	—	—
	126,044	89,005	37,039	143,632	89,598	54,034
Other investments	356	371	(15)	411	411	—
	\$ 199,448	\$ 150,231	\$ 49,217	\$ 210,170	\$ 162,225	\$ 47,945

(a) Datamark Systems Group Inc. ("Datamark")

Datamark is a business document management company with operations in Canada and the United States. At March 31, 2004, Clairvest owned 4,675,670 (2003 - 4,675,670) common shares of Datamark, representing a 36.5% (2003 - 36.5%) interest on a fully diluted basis.

At March 31, 2004, Clairvest also held 10,000 options to acquire Datamark shares at \$2.21 per share and 10,000 options to acquire Datamark shares at \$2.02 per share (2003 - 20,000 options to acquire Datamark shares at \$2.02 per share). These options vest over five years from the grant date, being June 2003 for the \$2.21 options and October 1999 for the \$2.02 options.

The shares in Datamark are carried at the quoted market price at March 31, 2004 and 2003. Since the inception of the investment, Clairvest has received a total of \$12.9 million in cash dividends, which have been accounted for as income.

(b) Gateway Casinos Income Fund ("Gateway Income Fund")

Gateway Income Fund is a trust which was established in fiscal 2003 to acquire six of the casinos managed by Gateway

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Casinos Inc. At March 31, 2004, Clairvest owned 3,365,876 (2003 - 4,501,970) units in Gateway Income Fund, representing a 12.7% (2003 - 17.0%) interest on a fully diluted basis.

Clairvest acquired the 4,501,970 units in Gateway Income Fund during fiscal 2003 for \$45.0 million. The units were subject to a securities hold period to November 2003. Following that date, Clairvest continues to require gaming regulatory approval in order to sell units. During fiscal 2004 Clairvest sold 1,136,094 units for gross proceeds of \$17.8 million.

At March 31, 2004, the units in Gateway Income Fund are carried at market prices less a discount due to the estimated cost of disposition. At March 31, 2003, the units were carried at market prices less a discount due to Clairvest's hold period and the estimated cost of disposition.

(c) Voxcom Incorporated ("Voxcom")

Voxcom is an Edmonton based electronic security alarm monitoring company operating throughout Canada. At March 31, 2004 and 2003, Clairvest owned 11,485,900 convertible retractable preferred shares and 230,000 common shares of Voxcom, representing a 26.7% (2003 - 27.0%) interest on a fully diluted basis.

At March 31, 2004 and 2003, 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. These warrants vested March 1, 2001, February 28, 2001 and November 30, 2001, respectively.

At March 31, 2002, Clairvest owned 230,000 common shares, \$5.0 million of debentures and \$1.0 million of guarantee debentures. During fiscal 2003, Clairvest converted its debentures and interest accrued thereon, as well as its guarantee debentures, guarantee fees and interest thereon into 8,617,999 convertible retractable preferred shares. Clairvest invested an additional \$2.9 million to acquire a further 2,867,901 convertible retractable preferred shares.

Clairvest carries its investment in Voxcom common shares at the quoted market prices at March 31, 2004 and 2003. The convertible retractable preferred shares are carried at cost at March 31, 2004 and 2003.

Subsequent to year end, Clairvest sold its common shares to Voxcom for gross proceeds of \$237,000 as part of a going private transaction by Voxcom. Also as part of the going private transaction, Clairvest provided a Letter of Credit in the amount of \$768,000 to Voxcom's banks.

(d) 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, 2004 Clairvest owned 35,784 (2003 - 33,000), 10% convertible Class B preferred shares in Allied Global. Clairvest's ownership on a fully diluted basis was 8.4% (2003 - 8.3%) at March 31, 2004.

During fiscal 2004, Clairvest received 2,784 (2003 - 3,000) Class B preferred shares in Allied Global by way of a stock dividend.

The shares in Allied Global are carried at cost at March 31, 2004 and 2003. Accrued dividends are included in the carrying value of these shares.

(e) Consolidated Vendors Corporation ("Consolidated Vendors")

Consolidated Vendors is an independent vending operator in the U.S. Midwest. At March 31, 2004 and 2003, Clairvest owned 2,500 Class A preferred shares, 10,229 common shares and 45,000 warrants in Consolidated Vendors, representing a 17.7% interest on a fully diluted basis. At March 31, 2004 and 2003, Clairvest also held US\$3.3 million of senior debt and a \$0.5 million demand loan, bearing interest at 9.0%.

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. During fiscal 2003, Clairvest converted 6,250 convertible Class A preferred shares and all of the convertible Class B preferred shares into 9,526 common shares. The remaining 2,500 convertible Class A preferred shares were exchanged for 2,500 Class A preferred shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During fiscal 2003, Clairvest, CEP and Consolidated Vendors' management purchased, at a discount, all of the senior bank debt of Consolidated Vendors for \$11.0 million (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. The senior bank debt bears interest at 3.21%. Clairvest's share of the senior bank debt is currently due and payable. No amounts have been called.

At March 31, 2004, the shares in Consolidated Vendors are carried at cost net of a \$1.6 million write-down of the carrying value of the investment and a \$3.0 million guarantee payable to CEP, and converted to Canadian dollars after giving effect to the related foreign exchange forward contract hedge thereon (see note 13b). During fiscal 2002, Clairvest sold certain shares of Consolidated Vendors to CEP, and guaranteed to compensate CEP for up to \$5.7 million for certain deficiencies that CEP may incur on these shares. If CEP's investment in Consolidated Vendors were disposed of at a value consistent with Clairvest's current carrying value of this investment, Clairvest would owe CEP \$3.0 million under this guarantee (see note 14b).

At March 31, 2003, 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 13b). At March 31, 2004 and 2003, the bank debt is carried at cost plus accrued interest to March 31, 2003 and the short-term loan at accrued value, converted into Canadian dollars after giving effect to the related foreign exchange forward contract hedge thereon (see note 13b).

(f) Gateway Casinos Inc. ("Gateway Casinos")

Gateway Casinos is a gaming management company operating casinos in Western Canada. At March 31, 2004 and 2003, Clairvest owned 28.4% of a limited partnership that owns Gateway Casinos, representing a 28.4% indirect ownership in Gateway Casinos on a fully diluted basis.

During fiscal 2003, Gateway Casinos transferred six of the casinos managed by it to Gateway Income Fund. Based upon the values of this transaction, the carrying value of Gateway Casinos was increased by \$38.4 million.

At March 31, 2004, the shares in Gateway Casinos are carried at cost plus a \$46.4 million cumulative upward adjustment to the carrying value of the investment. At March 31, 2003, the shares in Gateway Casinos were carried at cost plus a \$44.4 million cumulative upward adjustment to the carrying value of the investment.

(g) Landauer Metropolitan Inc. ("Landauer")

Landauer is a supplier of home medical equipment in the New York City area. At March 31, 2004 and 2003, Clairvest owned 1,906,250 10% cumulative convertible preferred shares in Landauer, which were acquired during fiscal 2003 for \$3.0 million.

At March 31, 2004, Clairvest had entered into an agreement to purchase at least 406,504 common shares of Landauer for US\$0.5 million. During fiscal 2004, Clairvest paid \$331,000 (US\$250,000) of the purchase price. If Landauer's current year performance differs from anticipated performance, the purchase price and/or number of shares purchased will be adjusted. Clairvest's ownership on a fully diluted basis was 13.6% (2003 – 10.7%) at March 31, 2004, assuming the number of common shares purchased under the above-noted agreement is not adjusted.

During fiscal 2003, Clairvest provided a bridge loan to Landauer for \$6.2 million. The loan, together with interest thereon, was repaid during fiscal 2003.

At March 31, 2004 and 2003 the shares in Landauer are carried at cost and converted into Canadian dollars after giving effect to the related foreign exchange forward contract hedge thereon (see note 13b). Cumulative dividends are included in the carrying value of the preferred shares.

(h) NRI Industries Inc. ("NRI")

NRI converts scrap rubber into value-added manufactured products. At March 31, 2004 and 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. Clairvest's ownership on a fully diluted basis at March 31, 2004 and 2003 was 84.7%.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

At March 31, 2004, the common shares of NRI are carried at cost, and the preferred shares are carried at their redemption values plus cumulative dividends to March 31, 2002, net of a \$14.5 million downward adjustment to the carrying value of the investment. At March 31, 2003, the common shares of NRI were carried at cost and the preferred shares were carried at their redemption values, plus cumulative dividends to March 31, 2002.

(i) Signature Security Group Holdings Pty. Limited ("Signature")

Signature is an electronic security company serving Australia and New Zealand. At March 31, 2004, Clairvest owned 227,404,097 (2003 – 214,866,491) ordinary shares in Signature, through its wholly-owned subsidiary, Clairvest Group International (Netherlands) B.V. Clairvest's indirect ownership on a fully diluted basis at March 31, 2004 was 41.7% (2003 – 39.4%).

At March 31, 2004 and 2003, Clairvest also held \$8.2 million in loans to Signature and Equity SPV Pty. Limited ("SPV"). SPV is a special purpose corporate entity formed to facilitate the loaning of these funds to Signature. The loans bear interest either at (i) the net cash interest earned by SPV or (ii) 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 March 31, 2006.

At March 31, 2004 and 2003, the ordinary shares and loans are carried at cost, converted into Canadian dollars after giving effect to the related foreign exchange forward contract hedge thereon (see note 13b).

(j) Van-Rob Inc. ("Van-Rob")

Van-Rob is a supplier of metal stampings and welded assemblies to the North American auto sector. At March 31, 2004 and 2003, Clairvest owned 5,000,000 Class A special convertible shares in Van-Rob, which were acquired during fiscal 2003 for \$5.0 million. Clairvest's ownership on a fully diluted basis was 5.0% at March 31, 2004 and 2003.

The shares in Van-Rob are carried at cost at March 31, 2004 and 2003.

(k) Wellington Financial Fund I ("Wellington Fund I")

Wellington Fund I provided financing to growth companies in the technology and health sciences industries prior to larger, more permanent financings. Clairvest, as a Limited Partner, had committed to fund \$5.0 million to Wellington Fund I. At March 31, 2004, all of the capital that Clairvest had previously funded had been returned to Clairvest. At March 31, 2003, Clairvest had funded \$2.6 million of its commitment. Clairvest's commitment represents a 71.4% interest in Wellington Fund I.

At March 31, 2004, all loans previously provided by Wellington Fund I had been repaid. As a result of the raising of Wellington Financial Fund II ("Wellington Fund II") all future loans will be provided by Wellington Fund II, with no further loans being provided by Wellington Fund I.

At March 31, 2004, Clairvest carries its investment in Wellington Fund I at the underlying value of the warrants Wellington Fund I continues to hold. At March 31, 2003, Clairvest carried its investment in Wellington Fund I at the underlying value of the loans and warrants held by Wellington Fund I.

(l) Wellington Financial Fund II ("Wellington Fund II")

Wellington Fund II provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada. Clairvest, as a Limited Partner, has committed to fund \$10.0 million to Wellington Fund II, \$1.6 million of which was funded at March 31, 2004. Clairvest's commitment represents a 48.7% interest in Wellington Fund II.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. LOANS PAYABLE

Loans payable consist of the following:

- (a) \$17.0 million (2003 – \$21.4 million) 30-year loan from Gateway Casinos Inc. The loan is non-interest bearing, and repayable on demand. The loan is collateralized by the units held by Clairvest in the limited partnership that owns Gateway Casinos Inc. Clairvest repaid \$4.4 million of this loan during fiscal 2004.
- (b) \$33.7 million (2003 – \$45.0 million) 30-year loan from a subsidiary of Gateway Casinos Inc. The loan bears interest at 8.05% per annum, and is collateralized by the units held by Clairvest in Gateway Income Fund. The loan must be repaid as the units in Gateway Income Fund are disposed of. Clairvest repaid \$11.3 million of this loan during the year.
- (c) Loans totalling \$10.5 million (2003 – nil) from the limited partnership that owns Gateway Casinos Inc. These loans are non-interest bearing and repayable on demand at any time after December 31, 2004.

8. BANKING FACILITY

The Company has a \$20 million line of credit available, bearing interest at prime plus 0.5% per annum. The prime rate at March 31, 2004 was 4.0% (2003 – 4.75%). At March 31, 2004 and 2003 no amounts were drawn down on this facility.

9. INCOME TAXES

Provision for income taxes consists of the following:

	2004	2003
Current income tax expense (recovery)	\$ (274)	\$ 8,984
Future income tax expense (recovery) relating to origination and reversal of temporary differences	1,462	(7,805)
Future income tax recovery resulting from rate change	(5)	(172)
Provision for income taxes	\$ 1,183	\$ 1,007

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

	2004	2003
Income before income taxes	\$ 14,010	\$ 45,346
Statutory Canadian income tax rate	36.5%	38.1%
Statutory Canadian income taxes	5,114	17,277
Non-taxable dividends received	(667)	(497)
Non-taxable portion of net investment gains	(2,012)	(8,291)
Non-taxable portion of unrealized gains	(362)	(7,922)
Accrued capital loss not benefited	1,080	137
Expenses not deductible for tax purposes	18	16
Future income tax recovery resulting from rate change	(5)	(172)
Recovery of prior years' taxes	(1,779)	—
Other	(204)	459
	\$ 1,183	\$ 1,007

The future tax liability relates primarily to the temporary differences on corporate investments and deferred loss on foreign exchange forward contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. 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

	2004		2003	
	Number of shares	Amount	Number of shares	Amount
Common shares, opening balance	18,692,590	\$ 95,626	18,697,590	\$ 95,652
Purchased and cancelled under normal course issuer bid	(896,752)	(4,592)	(5,000)	(26)
Issued on exercise of stock options	435,600	2,317	—	—
Common shares, closing balance	18,231,438	\$ 93,351	18,692,590	\$ 95,626
Non-voting shares	2,230,954	16,800	2,230,954	16,800
	20,462,392	\$ 110,151	20,923,544	\$ 112,426

During 2003 the Company 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. During 2004 the Company filed a new Normal Course Issuer Bid enabling it to make purchases of up to 911,572 of its common shares in the 12-month period commencing March 4, 2004.

During 2004 the Company purchased and cancelled under its Normal Course Issuer Bid 896,752 (2003 – 5,000) of its common shares at a total purchase cost of \$6,707,000 (2003 – \$35,000) plus fees of \$27,000. The excess of the purchase cost of these shares over the average paid-in amount was \$2,142,000 (2003 – \$9,000), which was charged to retained earnings. During 2004 the Company also purchased 49,000 of its common shares for \$407,000 which were cancelled subsequent to year end.

The Company's non-voting shares are convertible into 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 number of common and non-voting shares outstanding during fiscal 2004 was 18,370,929 and 2,230,954 respectively, for a total of 20,601,883 (2003 – 20,928,530). The weighted average number of fully diluted shares outstanding during fiscal 2004 was 21,679,586 (2003 – 22,292,218).

The difference between the basic and fully diluted earnings per share computations for 2004 and 2003 consists of the following:

	2004			2003		
	Net Income	Number of shares	Per share amount	Net Income	Number of shares	Per share amount
Basic net income per share	\$ 12,827	20,601,883	\$ 0.62	\$ 44,339	20,928,530	\$ 2.12
Effect of dilutive securities						
Convertible non-voting shares	—	862,598		—	1,212,339	
Stock options	—	215,105		—	151,349	
Fully diluted net income per share	\$ 12,827	21,679,586	\$ 0.59	\$ 44,339	22,292,218	\$ 1.99

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

260,000 (2003 – 875,000) 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, 2,092,854 (2003 – 2,092,854) 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 at March 31, 2004 and 2003 and changes during the years ended on those dates is presented below:

	Number of options	Weighted average exercise price per share
Options outstanding, March 31, 2002	1,506,000	\$ 6.37
Options granted	266,000	6.04
Options outstanding, March 31, 2003	1,772,000	\$ 6.32
Options granted	190,000	7.99
Options exercised	(435,600)	5.32
Options forfeited	(400)	4.38
Options outstanding, March 31, 2004	1,526,000	\$ 6.82
Options exercisable, March 31, 2004	937,200	\$ 7.00

The following table summarizes information about stock options outstanding at March 31, 2004:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$4.00 to \$4.99	215,000	6.9 years	\$ 4.62	104,000	\$ 4.58
\$5.00 to \$5.99	296,000	7.4 years	5.85	112,200	5.85
\$6.00 to \$6.99	55,000	8.3 years	6.75	11,000	6.75
\$7.00 to \$7.99	850,000	3.7 years	7.49	640,000	7.41
\$8.00 to \$8.99	110,000	6.2 years	8.57	70,000	8.70
	1,526,000			937,200	

11. STOCK-BASED COMPENSATION

During fiscal 2004, Clairvest changed its accounting policy on a prospective basis for stock options. The fair value of new options granted beginning fiscal 2004 are charged to income over the options vesting period on a straight-line basis. For stock options granted during fiscal 2003, the Company elected not to follow the fair value based method of accounting for stock options.

During fiscal 2004 the Company recorded compensation expense of \$57,000 with an offsetting credit to stock-based compensation in shareholders' equity for the 190,000 stock options awarded to employees during fiscal 2004. 150,000 of these stock options expire in June 2013 and 40,000 expire in September 2013. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model based on the following weighted-average assumptions: risk-free interest rate of 4.0%; dividend yield of 1.3%; average expected life of five years; and volatility of 25.4%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Had the Company recorded compensation expense for stock options granted in fiscal 2003 using the fair value method, net income would have decreased by approximately \$74,000 (2003 - \$57,000) for fiscal 2004. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model based on the following weighted-average assumptions: risk free interest rate of 4.0%; dividend yield of 1.7%; average expected life of five years; and volatility of 23.0%.

12. CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in non-cash working capital balances related to operations are detailed as follows:

	2004	2003
Accounts receivable and other assets	(3,523)	(546)
Accounts payable	101	2,526
Income taxes payable	(7,376)	7,103
	(10,798)	9,083

Cash and cash equivalents at March 31, 2004 and 2003 are comprised of the following:

	2004	2003
Cash	1,221	2,054
Cash equivalents	3,474	13,127
	4,695	15,181

13. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments

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

The fair value of the loans payable was determined by discounting future cash flows using rates which the Corporation could currently use for loans with similar terms and conditions and maturity dates. The estimated fair value of the loans payable approximate their carrying value.

Corporate investments are being carried in accordance with the Company's accounting policy described in note 2.

(b) Foreign exchange forward contracts

As at March 31, 2004, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

- (i) Forward contracts to sell AUS\$31.3 million (2003 – AUS\$28.0 million) at a rate of Canadian \$0.9522 per Australian dollar through January 2005 (average rate of \$0.9522; 2003 average rate of \$0.8373). The fair value of these contracts at March 31, 2004 is (\$1.4 million) (2003 – (\$1.4 million)); and
- (ii) Forward contracts to sell US\$3.4 million (2003 – US\$5.6 million) at rates of Canadian \$1.3172 to \$1.3518 per U.S. dollar through December 2004 (average rate of \$1.3404; 2003 average rate of \$1.5444). The fair value of these contracts at March 31, 2004 is \$104,000 (2003 – \$430,000).

The credit risk on derivative financial instruments, cash and cash equivalents and temporary 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. 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 \$17.3 million has been funded to March 31, 2004. 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 any other amounts and including proceeds of disposition or other amounts attributable to any other of CEP's holdings in Consolidated Vendors over and above the cost of these holdings. At March 31, 2004, \$3.0 million (2003 – nil) of the guaranteed amount was reflected on the consolidated balance sheet, as a reduction in the carrying value of Clairvest's investment in Consolidated Vendors.
- (c) During fiscal 2003, Clairvest entered into an agreement to guarantee \$3.0 million of CEP's obligations to the Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.
- (d) Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax cash realizations on Clairvest's corporate investments would be paid to management as a bonus. Amounts are accrued under this plan with respect to cash realizations made during the year. If Clairvest were to sell its corporate investments at their current carrying values, a bonus of \$2.8 million (2003 – \$3.9 million) would be owing to management under the Incentive Bonus Program.
- (e) Directors of the Corporation may elect to receive all or a portion of their compensation in deferred share units ("DSU's"). On the date directors fees are payable, the number of DSU's to be credited to a participant is determined by dividing the amount of the fees to be received by way of DSU's by the market value of a common share on the Toronto Stock Exchange. Upon redemption of DSU's, the Corporation pays to the participant a lump sum cash payment equal to the number of DSU's to be redeemed multiplied by a calculation of the market value of a common share on the Toronto Stock Exchange on the redemption date. A participant may redeem his or her DSU's only following termination of board service. As of March 31, 2004, a total of 33,627 (2003 – 16,983) DSU's were held by directors of the Corporation, the accrual in respect of which is not significant.
- (f) Employees of the Corporation may elect to receive all or a portion of their stock option grant by way of book value appreciation rights units ("BVAR's"). Upon the redemption of BVAR's, the Corporation pays to the participant a lump sum cash payment equal to the number of BVAR's to be redeemed multiplied by the increase in book value per share between the grant date and the redemption date. The BVAR's vest over a five-year period and the participant may only redeem his or her BVAR's at the earlier of i) five years from grant date or ii) cessation of employment with the Company. As of March 31, 2004, a total of 145,000 (2003 – 120,000) BVAR's were held by employees of the Corporation, the accrual in respect of which is not significant.
- (g) During fiscal 2003, Clairvest sold its investment in Sparkling Spring Water Holdings Limited for proceeds of Cdn\$48.6 million, with the potential, subject to a number of conditions, to receive over time an additional US\$4.5 million that was held in escrow. A total of \$3.3 million (US\$2.5 million) was released from escrow during fiscal 2004. The remaining amounts still being held in escrow have not been reflected on the consolidated balance sheets.

15. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2004 consolidated financial statements.

MANAGEMENT'S REPORT

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

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

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

The Audit Committee of the Board of Directors, comprised of three non-management Directors, has reviewed the consolidated 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.
Chief Financial Officer and Corporate Secretary

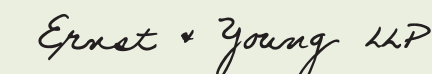
AUDITORS' REPORT

To the Shareholders of Clairvest Group Inc.

We have audited the consolidated balance sheets of Clairvest Group Inc. as at March 31, 2004 and 2003 and the consolidated statements of income, 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, 2004 and 2003 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
June 10, 2004

Chartered Accountants

SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2004

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.

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 ⁽³⁾ and Non-Voting Shares
Shares outstanding: ⁽¹⁾	20,074,892
Public float: ^(1,2)	7,868,611
Market capitalization: ⁽¹⁾	\$ 147,212,489
Market value of public float: ^(1,2)	\$ 64,916,041
Stock market:	Toronto Stock Exchange
Stock symbol:	CVG

(1) As at June 15, 2004, includes 1,300 shares purchased by Clairvest under its normal Course Issuer Bid, but not yet cancelled.

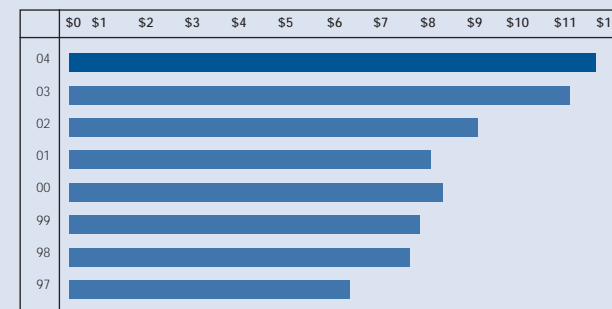
(2) Excludes holders of 10% or more of the outstanding common shares.

(3) During the year, Clairvest filed a new Normal Course Issuer Bid.

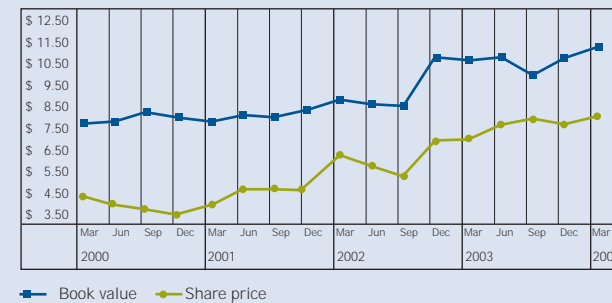
DIVIDEND INFORMATION

Clairvest has consistently paid a dividend over the last sixteen years. Over the last twelve 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, 2004				
First Quarter	7.94	7.20	7.80	591,779
Second Quarter	8.34	7.36	8.10	341,348
Third Quarter	8.50	7.65	7.80	549,393
Fourth Quarter	8.56	7.89	8.25	1,340,924
Year to March 31, 2003				
First Quarter	6.45	5.50	5.95	156,234
Second Quarter	6.00	4.72	5.40	82,235
Third Quarter	7.45	5.20	6.81	689,087
Fourth Quarter	7.50	6.70	7.25	572,565

SHAREHOLDER INQUIRIES

Lana Reiken, Chief Financial Officer
and Corporate Secretary
tel: 416.925.9270 fax: 416.925.5753
e-mail: lanar@clairvest.com

CLAIRVEST GROUP INC.

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
Chief Financial Officer
and Corporate Secretary

DAVID I. STURDEE
Vice-President

HEATHER G. CRAWFORD
In-House Counsel

MICHAEL CASTELLARIN
Associate

MITCHELL S. GREEN
Associate

BOARD OF DIRECTORS

MICHAEL BREGMAN*
Principal, XDL Intervest 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.

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.

G. JOHN KREDIET
Chairman, CF Capital Corporation
Former Chairman and Chief Executive Officer,
Sparkling Spring Water Holdings Limited

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.
Former Chairman, Toronto Sun Publishing

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

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
e-mail: 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

AUDITORS
Ernst & Young LLP

THE ANNUAL MEETING OF
SHAREHOLDERS
September 20, 2004, at 10:30 a.m.
TSX Conference Centre,
Ground Level in the Exchange Tower,
130 King Street West (at York Street),
Toronto, Ontario.

All shareholders are encouraged to attend.

* Member of Audit Committee

** Member of Compensation and Human Resources Committee