

CONSOLIDATED FINANCIAL STATEMENTS

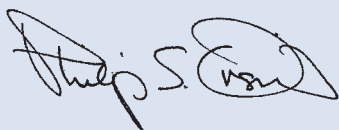
CONSOLIDATED BALANCE SHEETS

As at March 31

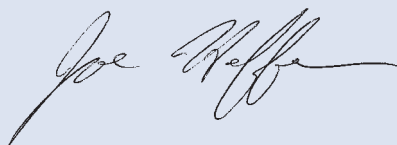
\$000's	2005	2004
ASSETS		
Cash and cash equivalents	\$ 1,828	\$ 4,695
Temporary investments (Note 4)	101,203	88,913
Accounts receivable and other assets (Note 5c)	4,529	5,629
Loans receivable (Note 5e)	5,623	—
Deferred loss on foreign exchange forward contracts	—	2,801
Corporate investments (Note 6)	180,246	199,448
	\$ 293,429	\$ 301,486
LIABILITIES		
Accounts payable (Note 5c)	\$ 4,759	\$ 3,456
Loans payable (Note 8)	28,788	61,224
Derivative instruments market valuation (Note 14b)	112	—
Deferred gain on foreign exchange forward contracts (Note 14b)	558	—
Future tax liability (Note 10)	2,182	2,365
	36,399	67,045
Contingencies and commitments (Notes 5, 6, 14 and 15)		
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	106,704	110,151
Shares purchased for cancellation (Note 11)	(80)	(407)
Stock-based compensation (Note 12)	138	57
Retained earnings	150,268	124,640
	257,030	234,441
	\$ 293,429	\$ 301,486

(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)	2005	2004
NET INVESTMENT GAINS		
Net realized gains on investments	\$ 14,591	\$ 8,786
Previously recognized net unrealized gains (Note 2g)	(40,211)	(4,700)
Net unrealized gains on investments	32,248	6,943
	6,628	11,029
OTHER INCOME		
Interest income (Notes 5d and 5g)	6,676	8,758
Dividend income (Note 5g)	28,080	1,828
Management fees (Note 5a)	2,629	2,712
Advisory and other fees (Note 5g)	1,305	1,002
	38,690	14,300
Administration and other expenses	9,402	6,919
Finance expense (Note 5g)	2,648	4,400
	12,050	11,319
Income before income taxes	33,268	14,010
Provision for income taxes (Note 10)	3,378	1,183
Net income	\$ 29,890	\$ 12,827
Basic net income per share (Note 11)	\$ 1.50	\$ 0.62
Fully diluted net income per share (Note 11)	\$ 1.43	\$ 0.59

(see accompanying notes to consolidated financial statements)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended March 31

\$000's	2005	2004
Retained earnings, beginning of year	\$ 124,640	\$ 116,027
Net income	29,890	12,827
	154,530	128,854
Dividends paid	(2,007)	(2,072)
Purchase and cancellation of shares (Note 11)	(2,255)	(2,142)
Retained earnings, end of year	\$ 150,268	\$ 124,640

(see accompanying notes to consolidated financial statements)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31

\$000's	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 29,890	\$ 12,827
Add (deduct) items not involving a current cash outlay		
Amortization	84	84
Stock-based compensation	81	57
Future income taxes (recovered)	(183)	1,457
Net realized gains on investments	(14,591)	(8,786)
Previously recognized net unrealized gains	40,211	4,700
Net unrealized gains on investments	(32,248)	(6,943)
Non-cash income relating to corporate investments	1,516	980
	24,760	4,376
Net change in non-cash working capital balances related to operations (Note 13)	2,319	(10,798)
	27,079	(6,422)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cancellation of common shares (Note 11)	(5,895)	(6,734)
Shares purchased for cancellation (Note 11)	(80)	(407)
Issuance of common shares	194	2,317
Loans payable	17,502	10,588
Repayment of loans payable	(49,938)	(15,746)
Dividends paid	(2,007)	(2,072)
	(40,224)	(12,054)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net temporary investments	(12,290)	(9,980)
Acquisition of corporate investments	(11,523)	(1,966)
Proceeds on sale of corporate investments	34,886	20,147
Loans receivable	(5,623)	—
Proceeds (costs) on realization of foreign exchange forward contracts	920	(3,253)
Return of capital from corporate investments	3,908	3,042
	10,278	7,990
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,867)	(10,486)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,695	15,181
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 13)	\$ 1,828	\$ 4,695
SUPPLEMENTAL CASH FLOW INFORMATION		
Income taxes paid	\$ 3,624	\$ 9,232
Interest paid	\$ 2,029	\$ 3,587

(see accompanying notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005 and 2004 (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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange and for which no sales restrictions apply are recorded at 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.

Investments in such securities 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.

Investments in securities not having quoted values are initially recorded at cost and thereafter recorded at estimated fair value. Estimated fair value is determined on the basis of expected realizable value of the investments if they were disposed of in an orderly fashion over a reasonable period of time.

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed. The amounts at which Clairvest's privately-held investments could be disposed of currently may differ from the fair value assigned. The amounts at which Clairvest's publicly-traded investments could be disposed of currently may differ from the fair 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) 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.

(d) Temporary Investments

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

(e) Foreign Currency Translation

Income and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses are included in income for unhedged items.

(f) Financial Instruments

The Company periodically enters into foreign exchange forward contracts to hedge its exposure to exchange rate fluctuations on its investments. Exchange gains or losses on the rolling of foreign exchange forward contracts entered into as hedges against the equity portion of Clairvest investments are capitalized as deferred gain or loss on foreign exchange forward contracts until such time as the underlying investment is sold or written down. At such time, the exchange gains or losses on the foreign exchange forward contracts, or a portion thereof, are included in income. If the hedge has been effective, there will be a corresponding and offsetting exchange gain or loss on the underlying investment, which will be included in income at the same time. The forward premiums or points arising under the foreign exchange forward contracts are amortized to income over the term of the contracts.

Foreign exchange forward contracts entered into as hedges against the debt portion of Clairvest's investments, as well as the debt portion of these investments, are marked to market at the consolidated balance sheet dates.

The Company discontinues hedge accounting when the hedging relationship ceases to be effective, a hedged item ceases to exist or when the designation of the hedging relationship is terminated. When hedge accounting is terminated, the difference between the fair value and the accrued value of the hedging derivative upon termination is capitalized as deferred gain or loss on foreign exchange forward contracts and recognized into income or expense on the same basis as gains, losses, revenue and expenses of the previously hedged item are recognized, generally by amortization over the remaining term of the hedged item.

The Company formally documents all relationships between hedged instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm commitments or forecasted transactions.

(g) 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.

(h) 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.

(i) Stock-Based Compensation Plan

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Under the Company's stock option plan, the fair value of options granted after April 1, 2003, is charged to compensation expense over the option vesting period. The fair value of the options granted is determined using the Black-Scholes option pricing model with management's best estimates. Refer to Note 12 for the estimates applied.

With respect to options granted prior to April 1, 2003, the Company continues to apply the previous standards under which no compensation expense is recognized when stock options are granted to employees and directors and the consideration paid by the employees or directors who exercise their stock options is credited to common shares.

(j) Deferred Share Unit Plan

Directors of the Company 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 Company 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.

Under the Company's DSU plan, the fair value of the DSU's is charged to compensation expense based on the number of DSU's outstanding at the balance sheet dates multiplied by the market value of a common share on the Toronto Stock Exchange at the balance sheet dates.

(k) Book Value Appreciation Rights Plan

The Company may elect to issue, or the employees of the Company may elect to receive, all or a portion of the individual's stock option grant by way of book value appreciation rights units ("BVAR's"). Upon the redemption of BVAR's, the Company 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.

Under the Company's BVAR plan, the fair value of the BVAR's is charged to compensation expense over the BVAR vesting period, and based on the book value per share on the balance sheet date of the prior quarter.

(l) 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.

3. ACCOUNTING CHANGES

During fiscal 2005, 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 consolidated financial statements resulting from the adoption of the recommendations is not material.

During fiscal 2005, Clairvest early-adopted, on a prospective basis, The Canadian Institute of Chartered Accountants' 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 consolidated financial statements resulting from the adoption of the Guideline is not material given that Clairvest measured its investments at fair value prior to the adoption of the Guideline.

During fiscal 2005, the Company prospectively adopted The Canadian Institute of Chartered Accountants' Accounting Guideline 13, Hedging Relationships. The Guideline addresses the identification, designation, documentation and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

effectiveness of hedging relationships for the purpose of applying hedge accounting. The Company's hedging program complies with the new requirements. Accordingly, the impact on the consolidated financial statements resulting from the adoption of the Guideline is not material.

During fiscal 2005, Clairvest prospectively adopted The Canadian Institute of Chartered Accountants' Accounting Guideline 15, Consolidation of Variable Interest Entities ("VIE"). The Guideline provides a framework for identifying a VIE and requires a primary beneficiary to consolidate a VIE. A primary beneficiary is the enterprise that absorbs a majority of the VIE's expected losses or receives a majority of the VIE's expected residual returns or both. There is no impact on the consolidated financial statements resulting from the adoption of the Guideline. (See Note 7)

4. TEMPORARY INVESTMENTS

Temporary investments have maturities greater than 90 days and through to December 2006. Temporary investments consist of corporate notes and debentures. The yield on these investments ranges between 2.3% and 3.7% (2004 – between 2.0% and 3.9%) with a weighted average yield thereon of 3.1% (2004 – 2.8%).

5. RELATED PARTY TRANSACTIONS

- (a) Clairvest has entered into a Management Agreement with the General Partner of Clairvest Equity Partners Limited Partnership ("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 (August 2006), 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 2005, CEP paid Clairvest net management fees of \$2,629,000 (2004 – \$2,712,000) as compensation for its services in the administration of the portfolio of CEP.
- (b) 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.
- (c) Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company or officers of corporate investments totalling \$658,000 (2004 – \$1,062,000) and other loans made to certain officers of a company affiliated with Clairvest totalling \$200,000 (2004 – \$82,000). The share purchase 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 \$1,110,000 (2004 – \$1,321,000). The loans to officers of a company affiliated with Clairvest bear interest at the prime rate on the date of drawdown less 1%, and interest is paid annually. Loans are repayable upon departure of the officer. Also included in accounts receivable and other assets are receivables from Clairvest's corporate investments totalling \$670,000 (2004 – \$767,000), from CEP totalling nil (2004 – \$1,000) and from a corporate investment previously disposed of totalling \$2,729,000 (2004 – \$2,837,000). The \$2,729,000 due from a corporate investment previously disposed of was received subsequent to year-end. Included in accounts payable is \$13,000 (2004 – nil) owing to CEP.
- (d) Loans, bearing interest at the prime rate, were made by the Company to CEP during fiscal 2005 and were repaid during fiscal 2005. Interest of \$3,000 (2004 – nil) was received from CEP during fiscal 2005.
- (e) Clairvest has committed to fund \$20.0 million to Wellington Financial Fund II ("Wellington Fund II"). Clairvest also owns 49.5% of the general partner of Wellington Fund II. Loans receivable consist of loans to Wellington Fund II. The loans bear

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

interest at the prime rate, and are payable on demand. \$3.0 million of the loans receivable was received subsequent to year-end. Interest of \$10,000 (2004 – nil) was received from Wellington Fund II during fiscal 2005.

- (f) During fiscal 2003, Clairvest entered into an agreement to guarantee up to \$7.0 million of CEP's obligations to the Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.
- (g) During fiscal 2005, Clairvest received \$3,905,000 (2004 – \$5,720,000) in interest, \$28,080,000 (2004 – \$1,828,000) in dividends and \$1,305,000 (2004 – \$1,002,000) in advisory and other fees from its corporate investments. During fiscal 2005, Clairvest paid \$1,899,000 (2004 – \$3,504,000) in interest to Gateway Casinos Inc.

6. CORPORATE INVESTMENTS

	2005			2004		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Investments in publicly-traded companies						
Datamark Systems Group Inc.	\$ 14,514	\$ 14,421	\$ 93	\$ 10,148	\$ 14,421	\$ (4,273)
Gateway Casinos Income Fund	28,090	15,007	13,083	51,276	33,659	17,617
Voxcom Incorporated	—	—	—	11,624	12,775	(1,151)
	42,604	29,428	13,176	73,048	60,855	12,193
Investments in privately-held companies						
Allied Global Holdings Inc.	4,323	3,000	1,323	3,931	3,000	931
Consolidated Vendors Corporation	239	7,035	(6,796)	1,674	6,030	(4,356)
Gateway Casinos Inc.	59,921	24,000	35,921	70,368	24,000	46,368
Landauer Metropolitan Inc.	4,234	3,636	598	3,645	3,306	339
N-Brook Mortgage LP	1,169	1,150	19	—	—	—
NRI Industries Inc.	10,080	17,613	(7,533)	10,080	17,613	(7,533)
Signature Security Group Holdings Pty. Limited	30,230	28,421	1,809	28,421	28,421	—
Van-Rob Inc.	5,000	5,000	—	5,000	5,000	—
Voxcom Incorporated	11,830	11,486	344	—	—	—
Wellington Financial Fund I	—	—	—	1,290	—	1,290
Wellington Financial Fund II	8,775	7,361	1,414	1,635	1,635	—
	135,801	108,702	27,099	126,044	89,005	37,039
Other investments	1,841	42	1,799	356	371	(15)
	\$ 180,246	\$ 138,172	\$ 42,074	\$ 199,448	\$ 150,231	\$ 49,217

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

Datamark is a business document management company with operations in Canada and the United States. At March 31, 2005 and 2004, Clairvest owned 4,675,670 common shares of Datamark, representing a 36.5% interest on a fully diluted basis.

At March 31, 2005 and 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. 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.

Since the inception of the investment, Clairvest has received a total of \$12.9 million in cash dividends from Datamark, 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 Casinos Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At March 31, 2005, Clairvest owned 1,500,650 (2004 – 3,365,876) units in Gateway Income Fund through a wholly-owned subsidiary. Clairvest's indirect ownership interest on a fully diluted basis at March 31, 2005 was 5.7% (2004 – 12.7%).

Clairvest acquired 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 is required to obtain gaming regulatory approval in order to sell units. During fiscal 2004 Clairvest sold 1,136,094 units for gross proceeds of \$17.8 million and during fiscal 2005 Clairvest sold 1,865,226 units for gross proceeds of \$32.3 million.

Clairvest together with certain other unit holders (the "Unit Holders") hold 20% of the outstanding units of Gateway Income Fund. As a condition for obtaining the approval of the British Columbia Lottery Corporation to the sale of units during 2005, the Unit Holders agreed that they will take all necessary steps to collectively maintain the 20% ownership interest amongst the Unit Holders and in connection with any additional issue of units of Gateway Income Fund to ensure that their collective ownership of Gateway Income Fund is maintained at 20% of the issued and outstanding units.

(c) Allied Global Holdings Inc. ("Allied Global")

Allied Global is an international accounts receivable management firm with operations across Canada, the United States and the United Kingdom. At March 31, 2005 Clairvest owned 39,363 (2004 – 35,784), 10% convertible Class B preferred shares in Allied Global. Clairvest's ownership on a fully diluted basis was 8.4% (2004 – 8.4%) at March 31, 2005.

During fiscal 2005, Clairvest received 3,579 (2004 – 2,784) 10% convertible Class B preferred shares in Allied Global by way of a stock dividend.

(d) Consolidated Vendors Corporation ("Consolidated Vendors")

Consolidated Vendors is an independent vending operator in the U.S. Midwest. At March 31, 2005, Clairvest owned 2,500 (2004 – 2,500) Class A preferred shares, 26,830 (2004 – 10,229) common shares and 45,000 (2004 – 45,000) warrants in Consolidated Vendors, representing a 24.8% (2004 – 17.7%) interest on a fully diluted basis. At March 31, 2005, Clairvest also held US\$3.3 million (2004 – US\$3.3 million) of senior debt, a \$0.5 million (2004 – \$0.5 million) demand loan bearing interest at 9.0% and \$1.0 million (2004 – nil) of demand notes bearing interest at 12.0%.

During fiscal 2005, Clairvest purchased 16,601 common shares of Consolidated Vendors for US\$32,750 and loaned \$1.0 million to Consolidated Vendors.

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.

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 was disposed of at a value consistent with Clairvest's current fair value of this investment, Clairvest would owe CEP \$3.1 million (2004 – \$3.0 million) under this guarantee (see note 15b).

In accordance with hedge accounting, the senior bank debt, demand loan and demand notes held by Clairvest, as well as the foreign exchange forward contracts that hedge these amounts, are marked to market at the consolidated balance sheet dates. As a result, the fair value of the investment in Consolidated Vendors was reduced by \$1,151,000 at March 31, 2005, with an offsetting reduction in deferred gain on foreign exchange forward contracts of \$947,000, and an increase in derivative instruments market valuation of \$22,000. The net result of these adjustments is a \$226,000 foreign exchange loss on the consolidated statements of income.

(e) Gateway Casinos Inc. ("Gateway Casinos")

Gateway Casinos is a gaming management company operating casinos in Western Canada. At March 31, 2005 and 2004, Clairvest owned, through a wholly-owned subsidiary, 28.4% of a limited partnership that owns Gateway Casinos. Clairvest's indirect ownership interest in Gateway Casinos was 28.4% at March 31, 2005 and 2004 on a fully diluted basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(f) Landauer Metropolitan Inc. ("Landauer")

Landauer is a supplier of home medical equipment in the New York City area. At March 31, 2005 and 2004, Clairvest owned 1,906,250 10% cumulative convertible preferred shares in Landauer.

At March 31, 2005, Clairvest owned 446,858 common shares in Landauer. At March 31, 2004, Clairvest had entered into an agreement to purchase the common shares and had paid \$331,000 of the total \$661,000 purchase price. Clairvest's ownership on a fully diluted basis was 13.6% (2004 – 13.6%) at March 31, 2005.

(g) N-Brook Mortgage LP ("N-Brook")

N-Brook originates, adjudicates and underwrites first-ranking mortgages on owner-occupied, residential real estate in Ontario. During fiscal 2005, Clairvest committed to invest up to \$5.0 million in N-Brook, subject to N-Brook management achieving certain targets. A total of \$1.2 million had been funded at March 31, 2005. Clairvest's fully diluted interest in N-Brook at March 31, 2005 was 14.7%.

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

NRI converts scrap rubber into value-added manufactured products. At March 31, 2005 and 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. Clairvest's ownership on a fully diluted basis at March 31, 2005 and 2004 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 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.

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

Signature is an electronic security company serving Australia and New Zealand. At March 31, 2005 and 2004, Clairvest owned 227,404,097 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, 2005 and 2004 was 41.7%.

At March 31, 2005 and 2004, 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 April 1, 2010.

In accordance with hedge accounting, the loans held by Clairvest, as well as the foreign exchange forward contracts that hedge the loans, are marked to market at the consolidated balance sheet dates. As a result, the fair value of the investment in Signature was increased by \$1.8 million at March 31, 2005, with an offsetting reduction in deferred loss on foreign exchange forward contracts of \$2.7 million, and an increase in derivative instruments market valuation of \$90,000. The net result of these adjustments is a \$941,000 foreign exchange loss on the consolidated statements of income.

(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, 2005 and 2004, Clairvest owned 5,000,000 Class A special convertible shares in Van-Rob, representing a 5.0% fully diluted ownership interest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(k) Voxcom Incorporated (“Voxcom”)

Voxcom is an Edmonton based electronic security alarm monitoring company operating throughout Canada. At March 31, 2005, Clairvest owned 11,485,900 (2004 – 11,485,900) convertible retractable preferred shares and nil (2004 – 230,000) common shares of Voxcom, representing a 26.6% (2004 – 26.7%) interest on a fully diluted basis.

At March 31, 2005 and 2004, 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 are fully vested.

During fiscal 2005, 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. The Letter of Credit was released during fiscal 2005.

(l) 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. Wellington Fund I was wound up during fiscal 2005. Upon the wind up, Clairvest received its prorata share of the warrants and other assets held by Wellington Fund I at the time. These investments are included as part of other investments. Clairvest, as a limited partner, had committed to fund \$5.0 million to Wellington Fund I at March 31, 2004. At March 31, 2004, all of the capital that Clairvest had previously funded had been returned to Clairvest. Clairvest’s commitment represented a 71.4% interest in Wellington Fund I.

(m) 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, had committed to fund \$10.0 million to Wellington Fund II at March 31, 2004, and increased its commitment to \$20.0 million at March 31, 2005. \$7.4 million (2004 – \$1.6 million) of Clairvest’s commitment was funded at March 31, 2005. Clairvest’s commitment represents a 24.1% (2004 – 48.7%) interest in Wellington Fund II.

7. VARIABLE INTEREST ENTITIES

The Canadian Institute of Chartered Accountants’ Accounting Guideline 15 requires Clairvest to identify Variable Interest Entities (“VIE”) in which it has an interest, determine whether it is the primary beneficiary of such entities and if so, consolidate them. The primary beneficiary is an entity that absorbs the majority of the VIE’s expected losses or receives a majority of the VIE’s expected residual returns or both.

At March 31, 2005, the VIE in which Clairvest held an interest was CEP. Clairvest’s relationship with CEP is described in note 5. As of March 31, 2005, Clairvest was not considered the primary beneficiary of CEP. Clairvest has no exposure to loss as a result of its involvement in CEP in its capacity of general partner. Accordingly, Clairvest did not consolidate CEP.

8. LOANS PAYABLE

Loans payable consist of the following:

- (a) \$13.7 million (2004 – \$17.0 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 \$3.3 million (2004 – \$4.4 million) of this loan during fiscal 2005.
- (b) \$15.0 million (2004 – \$33.7 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 \$18.7 million (2004 – \$11.3 million) of this loan during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (c) Loans totalling \$89,000 (2004 – \$10.6 million) from the limited partnership that owns Gateway Casinos Inc. The loans that were outstanding at March 31, 2004, together with an additional \$17.4 million loaned during the first three quarters of fiscal 2005, were non-interest bearing and repayable on demand at any time after December 31, 2004. These loans were paid in full in the fourth quarter of fiscal 2005. The loans outstanding at March 31, 2005 are non-interest bearing and payable on demand at any time after December 31, 2005.

9. 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, 2005 was 4.25% (2004 – 4.0%). At March 31, 2005 and 2004 no amounts were drawn down on this facility.

10. INCOME TAXES

Provision for income taxes consists of the following:

	2005	2004
Current income tax expense (recovery)	\$ 3,561	\$ (274)
Future income tax expense (recovery) relating to origination and reversal of temporary differences	(183)	1,457
Provision for income taxes	\$ 3,378	\$ 1,183

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

	2005	2004
Income before income taxes	\$ 33,268	\$ 14,010
Statutory Canadian income tax rate	36.1%	36.5%
Statutory Canadian income taxes	12,016	5,114
Non-taxable dividends received	(10,142)	(667)
Non-taxable portion of net investment gains	(1,197)	(2,012)
Taxable (non-taxable) portion of unrealized gains	1,098	(80)
Taxable portion of realized gains	836	233
Non-deductible portion of finance expense	398	222
Recovery of prior years' taxes	—	(1,779)
Other	369	152
	\$ 3,378	\$ 1,183

The future tax liability relates primarily to the temporary differences on corporate investments, derivative instruments market valuation, deferred gain (loss) on foreign exchange forward contracts, and accounts payable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. 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	2005		2004	
	Number of shares	Amount	Number of shares	Amount
Common shares, opening balance	18,231,438	\$ 93,351	18,692,590	\$ 95,626
Purchased and cancelled under normal course issuer bid	(711,000)	(3,641)	(896,752)	(4,592)
Issued on exercise of stock options	29,000	194	435,600	2,317
Common shares, closing balance	17,549,438	\$ 89,904	18,231,438	\$ 93,351
Non-voting shares	2,230,954	16,800	2,230,954	16,800
	19,780,392	\$ 106,704	20,462,392	\$ 110,151

During fiscal 2004, the Company filed a 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. During 2005, the Company filed a new normal course issuer bid enabling it to make purchases of up to 877,472 of its common shares in the 12-month period commencing March 4, 2005.

During fiscal 2005, the Company purchased and cancelled under its normal course issuer bid 662,000 (2004 – 896,752) of its common shares at a total purchase cost of \$5,490,920 (2004 – \$6,707,000) plus fees of \$35,000 (2004 – \$27,000). The excess of the purchase cost of these shares over the average paid-in amount was \$2,255,000 (2004 – \$2,142,000), which was charged to retained earnings. During fiscal 2005, the Company also purchased 8,500 (2004 – 49,000) of its common shares for \$80,000 (2004 – \$404,000) which were cancelled subsequent to year end. In total 1,621,252 common shares at a cost of \$12.7 million have been purchased under this and all previous normal course issuer bids as of March 31, 2005. Subsequent to year-end, a further 690,989 common shares were purchased at a cost of \$6.8 million.

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 2005 was 17,754,578 and 2,230,954 respectively, for a total of 19,985,532 (2004 – 20,601,883). The weighted average number of fully diluted shares outstanding during fiscal 2005 was 20,933,896 (2004 – 21,679,586).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The difference between the basic and fully diluted net income per share computations for 2005 and 2004 consists of the following:

	2005			2004		
	Net income	Number of shares	Per share amount	Net income	Number of shares	Per share amount
Basic net income per share	\$ 29,890	19,985,532	\$ 1.50	\$ 12,827	20,601,883	\$ 0.62
Effect of dilutive securities						
Convertible non-voting shares		620,484			862,598	
Stock options		327,880			215,105	
Fully diluted net income per share	\$ 29,890	20,933,896	\$ 1.43	\$ 12,827	21,679,586	\$ 0.59

As at March 31, 2005 there were nil (2004 – 260,000) outstanding stock options that were not included in the calculation of fully diluted net income per share as they are anti-dilutive.

Under the Company's stock option plan, 2,092,854 (2004 – 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, 2005 and 2004 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, 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 granted	66,856	8.25
Options exercised	(29,000)	6.69
Options forfeited	(51,856)	7.14
Options outstanding, March 31, 2005	1,512,000	\$ 6.87
Options exercisable, March 31, 2005	1,097,400	\$ 6.89

The following table summarizes information about stock options outstanding and exercisable at March 31, 2005:

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	5.9 years	\$ 4.62	147,000	\$ 4.59
\$5.00 to \$5.99	261,000	6.3 years	5.85	155,400	5.85
\$6.00 to \$6.99	55,000	7.3 years	6.75	22,000	6.75
\$7.00 to \$7.99	815,000	2.5 years	7.48	695,000	7.42
\$8.00 to \$8.99	166,000	6.5 years	8.46	78,000	8.66
	1,512,000			1,097,400	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

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 2005, the Company recorded compensation expense of \$81,000 (2004 – \$57,000) with an offsetting credit to stock-based compensation in shareholders' equity. 56,000 stock options were awarded to employees during fiscal 2005, all of which expire in June 2014. 190,000 stock options were awarded to employees during fiscal 2004, 150,000 of which expire in June 2013 and 40,000 of which 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 1.2%; average expected life of five years; and volatility of 23.5%.

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 \$58,000 (2004 – \$74,000) for fiscal 2005. 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 22.9%.

As at March 31, 2005, a total of 48,609 (2004 – 33,627) DSU's were held by directors of the Company, the accrual in respect of which is not significant.

As at March 31, 2005, a total of 220,000 (2004 – 145,000) BVAR's were held by employees of Clairvest and a company affiliated with Clairvest, the accrual in respect of which is not significant.

13. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2005	2004
Accounts receivable and other assets	\$ 1,016	\$ (3,523)
Accounts payable	1,303	101
Income taxes payable	—	(7,376)
	\$ 2,319	\$ (10,798)

Cash and cash equivalents at March 31, 2005 and 2004 are comprised of the following:

	2005	2004
Cash	\$ 459	\$ 1,221
Cash equivalents	1,369	3,474
	\$ 1,828	\$ 4,695

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. 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 receivable and loans payable was determined by discounting future cash flows using rates which the Company 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, 2005, 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 (2004 – AUS\$31.3 million) at a rate of Canadian \$0.9270 per Australian dollar through May 2005 (average rate of \$0.9270; 2004 average rate of \$0.9522). The fair value of these contracts at March 31, 2005 is a loss of \$300,000 (2004 – loss of \$1.4 million). \$90,000 of this loss relates to the debt portion of Clairvest's investment in Signature and has been recognized on the balance sheet as derivative instruments market valuation; and
- (ii) Forward contracts to sell US\$12.3 million (2004 – US\$3.4 million) at rates of Canadian \$1.1940 to \$1.2315 per U.S. dollar through February 2006 (average rate of \$1.2227; 2004 average rate of \$1.3404). The fair value of these contracts at March 31, 2005 is a gain of \$70,000 (2004 – gain of \$104,000). The contracts which have been entered into as a hedge against the debt portion of Clairvest's investment in Consolidated Vendors have a fair value of a loss of \$22,000, which has been recognized on the consolidated balance sheet as derivative instruments market valuation.

As a result of the rolling of foreign exchange forward contracts to March 31, 2005, Clairvest has realized and deferred to the consolidated balance sheets net exchange gains, net of the amortization of forward premiums or points, of \$558,000 (2004 – net exchange losses of \$2,801,000).

(c) Credit Risk

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.

15. CONTINGENCIES, COMMITMENTS AND GUARANTEES

- (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 \$19.1 million has been funded to March 31, 2005. 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, 2005, \$3.1 million (2004 – \$3.0 million) of the guaranteed amount was reflected on the consolidated balance sheets, as a reduction in the fair value of Clairvest's investment in Consolidated Vendors.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (c) Clairvest has committed \$20.0 million to Wellington Fund II, \$7.4 million of which has been funded to March 31, 2005. Clairvest also owns 49.5% of the general partner of Wellington Fund II.
- (d) Clairvest has committed \$5.0 million to N-Brook, subject to N-Brook management achieving certain targets. \$1.2 million of Clairvest's commitment has been funded to March 31, 2005.
- (e) A wholly-owned subsidiary of Clairvest together with certain other unit holders (the "Unit Holders") hold 20% of the outstanding units of Gateway Income Fund. The Unit Holders have agreed that they will take all necessary steps to collectively maintain the 20% ownership interest amongst the Unit Holders and in connection with any additional issue of units of Gateway Income Fund to ensure that their collective ownership of Gateway Income Fund is maintained at 20% of the issued and outstanding units.
- (f) During fiscal 2005, a wholly-owned subsidiary of Clairvest together with other shareholders of Gateway Casinos (the "Gateway Shareholders") entered into an agreement with Gateway Casinos' bank whereby the Gateway Shareholders agreed to fund cost overruns on the development of Gateway Casinos' casino facility in Langley, British Columbia. The development project is expected to be completed in June 2005. The amount of the cost overruns, if any, cannot be determined at this time and no amounts have been reflected in Clairvest's consolidated financial statements.
- (g) During fiscal 2003, Clairvest entered into an agreement to guarantee up to \$7.0 million of CEP's obligations to the Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.
- (h) Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax income, based on 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 fair values, a bonus of \$3.1 million (2004 – \$2.8 million) would be owing to management under the Incentive Bonus Program.

16. SUBSEQUENT EVENTS

- (a) On May 20, 2005, Voxcom Income Fund completed an initial public offering. Clairvest reinvested its entire investment in Voxcom Incorporated into 1,645,015 units of Voxcom Income Fund, and as a result holds a 20.1% interest in Voxcom Income Fund. The units initially traded at \$10 per unit. Clairvest may not sell its units in Voxcom Income Fund for 180 days following closing.
- (b) Subsequent to year-end, Clairvest invested in Integral Orthopedics Inc., which acquired the businesses of Obus Forme Ltd. and Moller LLC. Clairvest made a \$3.9 million investment in Integral Orthopedics Inc.

17. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 consolidated financial statements.

AUDITORS' REPORT

To the Shareholders of Clairvest Group Inc.

We have audited the consolidated balance sheets of Clairvest Group Inc. as at March 31, 2005 and 2004 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, 2005 and 2004 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 7, 2005

Ernst & Young LLP
Chartered Accountants