June 23, 2005

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 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, 2005, Clairvest had 11 core investments in nine different industries. Five of these investments were joint investments with CEP. Clairvest also held an investment in Wellington Financial Fund II ("Wellington Fund II").

OVERVIEW OF FISCAL 2005

An overview of the significant events during fiscal 2005 follows:

- Clairvest sold 1,865,226 units of Gateway Casinos Income Fund ("Gateway Income Fund") for gross proceeds of $32.3 million, bringing Clairvest's net cash investment to proceeds of $24.1 million. Clairvest continues to hold 1,500,650 units in Gateway Income Fund, representing 5.7% of the outstanding units.
- Clairvest received new loans from Gateway Casinos Inc. ("Gateway Casinos") entities totalling $17.3 million, and repaid a total of $49.7 million of loans from Gateway Casinos entities, for a net repayment of $32.4 million during the year. Clairvest received tax-free dividends from a Gateway Casinos entity of $28.1 million during fiscal 2005.
- Clairvest committed to fund $5.0 million to N-Brook Mortgage LP ("N-Brook"), subject to N-Brook management achieving certain targets. CEP committed to fund $15.0 million, such that Clairvest and CEP's combined ownership interest in N-Brook is 58.8%.
- 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 was released from escrow during fiscal 2004, and the remaining U$2.0 million (Cdn$2.6 million) was released from escrow during fiscal 2005.
- Clairvest sold its common shares in Voxcom Incorporated ("Voxcom") for gross proceeds of $0.2 million as part of a going-private transaction by Voxcom. Clairvest recognized a $1.1 million loss on the sale of the common shares.
- Clairvest increased it commitment to Wellington Fund II from $10.0 million to $20.0 million. Wellington Fund II had commitments from Clairvest and other investors totalling $83.0 million at March 31, 2005. $7.4 million of Clairvest's commitment had been funded at March 31, 2005.

- Wellington Financial Fund I ("Wellington Fund I") was wound up and its assets distributed to its partners. On a total commitment of $5.0 million to Wellington Fund I, Clairvest received back all of the capital it had funded, as well as distributions of $2.0 million, and received warrants with a fair value of $1.2 million upon the windup of the fund. 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.
- Clairvest filed a new normal course issuer bid enabling it to make market purchases of up to 877,472 of its common shares in the 12-month period commencing March 4, 2005. As at June 23, 2005, Clairvest had purchased a total of 2,312,241 common shares under this, and previous, normal course issuer bids at a total cost of $19.5 million. Clairvest can purchase a further 177,983 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.

SUMMARY OF CLAIRVEST'S INVESTMENTS AT MARCH 31, 2005

Investment	Trading Symbol and Exchange	Ownership Percentage[13]	Cost of Investment (millions)	Net Cash Investment (millions)[14]	Fair Value of Investment (millions)[15]	Description of Business
PUBLICLY-TRADED INVESTMENTS						
Datamark Systems Group Inc.[1]	DMK – TSX	36.5%	$ 14.4	$ 1.5	$ 14.5	A business document management company with operations in Canada and the United States.
Gateway Casinos Income Fund[2]	GCI.UN-TSX	5.7%	$ 15.0	$ (24.1)	$ 28.1	A trust established to acquire six of the casinos managed by Gateway Casinos Inc.
PRIVATELY-HELD INVESTMENTS						
Allied Global Holdings Inc.[3]	Private	8.4%	$ 3.0	$ 3.0	$ 4.3	An international accounts receivable management company with operations across Canada, the United States and the United Kingdom. CEP owns 25.0% of Allied.
Consolidated Vendors Corporation[4]	Private	24.8%	$ 7.0	$ 7.0	$ 0.2	An independent vending operator in Michigan and Illinois, providing a full range of vended products. CEP owns 74.3% of Consolidated Vendors.
Gateway Casinos Inc.[5]	Private	28.4%	$ 24.0	$ 2.1	$ 59.9	A gaming management company that operates casinos in Western Canada.
Landauer Metropolitan Inc.[6]	Private	13.6%	$ 3.6	$ 3.6	$ 4.2	The dominant supplier of home medical equipment in the New York City area. CEP owns 40.7% of Landauer.
N-Brook Mortgage L.P. [7]	Private	14.7%	$ 1.2	$ 1.2	$ 1.2	A company that originates, adjudicates and underwrites mortgages in Ontario, Canada. CEP owns 44.1% of N-Brook.
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	$ 30.2	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. CEP owns 15.0% of Van-Rob.
Voxcom Incorporated[11]	Private	26.6%	$ 11.5	$ 8.9	$ 11.8	A security company that sells, installs, services and monitors security alarm systems for residential and commercial subscribers in Canada.
Wellington Financial Fund II[12]	Private	24.1%	$ 7.4	$ 6.7	$ 8.8	Provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies.
OTHER INVESTMENTS			$ —	$ (0.1)	$ 1.9	
TOTAL INVESTMENTS			$ 138.1	$ 60.8	$ 180.2	

(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, 2005, resulting in a net cash investment at March 31, 2005 of $1.5 million.

(2) Clairvest owns 1,500,650 units in Gateway Income Fund. The investment was funded with a loan from a Gateway Casinos entity. The net cash investment is in a net proceeds position as a result of a total of $50.8 million of net proceeds on the sale of units, $15.0 million in loans and $9.9 million of distributions received, net of $6.6 million of interest paid on the loan.

(3) Clairvest owns 39,363 10% convertible Class B preferred shares in Allied.

(4) Clairvest owns 2,500 Class A preferred shares and 26,830 common shares in Consolidated Vendors. Clairvest also holds US$3.3 million of senior debt, a $0.5 million short-term loan and $1.0 million of demand notes. Clairvest would owe CEP $3.1 million under a guarantee payable to CEP if Consolidated Vendors were disposed of at the current fair value. The $3.1 million has been included as an offset against the fair value of Clairvest's investment in Consolidated Vendors.

(5) Clairvest owns 28.4% of a limited partnership that owns Gateway Casinos. The net cash investment is $2.1 as a result of $13.8 million of loans received from Gateway Casinos, and $8.1 million in distributions received.

(6) Clairvest owns 1,906,250 10% cumulative convertible preferred shares and 446,858 common shares in Landauer.

(7) Clairvest has committed to fund $5.0 million to N-Brook, $1.2 million of which was funded at March 31, 2005.

(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.

(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.

(10) Clairvest owns 5,000,000 Class A special convertible shares in Van-Rob.

(11) Clairvest owns 11,485,900 convertible retractable preferred shares in Voxcom. Clairvest rolled $3.6 million of fees and interest into preferred shares, and incurred a $1.1 million loss on the sale of common shares, resulting in a net cash investment of $8.9 million. Clairvest sold 230,000 common shares to Voxcom in a going-private transaction during the year.

(12) Clairvest has committed to fund $20.0 million to Wellington Fund II, $7.4 million of which was funded at March 31, 2005.

(13) Ownership percentage calculated on a fully diluted basis at March 31, 2005.

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

(15) The determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments, and an estimate of fair value for privately-held investments.

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.

The fair value for Clairvest's publicly-traded investments is based on the quoted market price. The fair value for Clairvest's privately-held investments is based on an estimate of expected realizable value of the investments if they were disposed of in an orderly fashion over a reasonable period of time.

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, and the values at which the privately-held investments are carried are adjusted for management's assessment of changes in value. The amounts at which Clairvest's investment could be disposed of currently may differ from the fair value assigned.

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 2 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, as well as an assessment of the market conditions based on comparable trading multiples of public companies and transaction multiples within the industry.

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 2 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 2004, Clairvest 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. Clairvest has prospectively applied the amendments effective April 1, 2003. In fiscal 2005 and fiscal 2004, Clairvest recorded compensation expense of $81,000 and $57,000 respectively, with an offsetting credit to stock-based compensation in shareholders' equity for the stock options awarded to employees since April 1, 2003. Prior to fiscal 2004, Clairvest elected not to follow the fair value based method of accounting for stock options. Had Clairvest recorded compensation expense for stock options granted in fiscal 2003 using the fair value method, net income would have decreased by approximately $58,000 and $74,000 for fiscal 2005 and fiscal 2004 respectively.

Generally Accepted Accounting Principles

In 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.

Investment Companies

In fiscal 2005, 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 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.

Hedging Relationships

In fiscal 2005, 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'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.

Consolidation of Variable Interest Entities

In 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. The Guideline requires Clairvest to identify VIE's in which it has an interest, determine whether it is the primary beneficiary of such entities and if so, consolidate them. At March 31, 2005, the VIE in which Clairvest held an interest was CEP. 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. There is therefore no impact on the consolidated financial statement resulting from the adoption of the Guideline.

OPERATING RESULTS

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

Year ended March 31,	2005	2004	2003
Net investment gains			
Net realized gains on investments	$ 14,591	$ 8,786	$ 43,942
Previously recognized net unrealized gains	(40,211)	(4,700)	(44,384)
Net unrealized gains on investments	32,248	6,943	43,941
	6,628	11,029	43,499
Other income			
Interest income	6,676	8,758	4,053
Dividend income	28,080	1,828	1,303
Management fees	2,629	2,712	2,673
Advisory and other fees	1,305	1,002	2,331
	38,690	14,300	10,360
Administration and other expenses	9,402	6,919	7,282
Finance expense	2,648	4,400	1,231
	12,050	11,319	8,513
Income before income taxes	33,268	14,010	45,346
Provision for income taxes	3,378	1,183	1,007
Net income	$ 29,890	$ 12,827	$ 44,339
Net income per common share	$ 1.50	$ 0.62	$ 2.12
Fully diluted net income per common share	$ 1.43	$ 0.59	$ 1.99

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, 2005 was $29.9 million, versus $12.8 million for the year ended March 31, 2004 and $44.3 million for the year ended March 31, 2003.

Clairvest realized gains on investments of $14.6 million in fiscal 2005 versus $8.8 million in fiscal 2004 and $43.9 million in fiscal 2003. The gain in 2005 resulted primarily from the sale of 1,865,226 units of Gateway Income Fund, the release of the remaining funds that were being held in escrow following the sale of Sparkling Spring in fiscal 2003 and gains on the sale of warrants that were held by Wellington Fund I, net of a loss on the sale of Voxcom common shares. The gain in 2004 resulted from the sale of 1,136,094 units of Gateway Income Fund and the release of a portion of the funds that were 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.

Clairvest reversed previously recognized unrealized gains of $40.2 million in fiscal 2005 versus $4.7 million in fiscal 2004 and $44.4 million in fiscal 2003. Previously recognized unrealized gains that were reversed in fiscal 2005 relate primarily to unrealized gains that were recognized in fiscal 2005 and prior years with respect to the 1,865,226 units of Gateway Income Fund that were sold in fiscal 2005, unrealized gains on Gateway Casinos that were reversed upon the receipt of a $28.1 million dividend from Gateway Casinos in fiscal 2005 and unrealized gains on the warrants that were sold by Wellington Fund I in fiscal 2005, net of unrealized losses that were recognized in fiscal 2005 and prior years on the Voxcom common shares that were sold in fiscal 2005. Previously recognized unrealized gains that were reversed in fiscal 2004 relate to unrealized gains that were recognized in fiscal 2004 and prior years on the 1,136,094 units of Gateway Income Fund that were sold in fiscal 2004. Previously recognized unrealized gains that were reversed in fiscal 2003 relate to unrealized gains that were recognized in fiscal 2003 and prior years on Sparkling Spring. When the realized gain or loss for the respective investments was recognized, the previously recognized unrealized gains or losses were reversed, and the full realized gain or loss was recognized in the year of receipt.

Clairvest had unrealized gains on investments of $32.2 million for the year ended March 31, 2005 versus $6.9 million for the year ended March 31, 2004 and $43.9 million for the year ended March 31, 2003. Unrealized gains/losses result from changes in the fair 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,	2005	2004	2003
Investments in publicly-traded companies			
Datamark Systems Group Inc.	$ 4,367	$ (1,551)	$ (4,930)
Gateway Casinos Income Fund	7,832	24,498	(2,181)
Voxcom Incorporated	—	35	(57)
	12,199	22,982	(7,168)
Investments in privately-held companies			
Allied Global Holdings Inc.	392	368	324
Consolidated Vendors Corporation	(1,393)	(3,930)	(610)
Gateway Casinos Inc.	17,370	2,006	38,362
Landauer Metropolitan Inc.	274	241	154
NRI Industries Inc.	—	(14,827)	(320)
Signature Security Group Holdings Pty. Limited	—	(113)	(2,544)
Sparkling Spring Water Holdings Limited	—	—	16,237
Voxcom Incorporated	345	—	—
Wellington Financial Fund I	990	231	(494)
Wellington Financial Fund II	1,413	—	—
	19,391	(16,024)	51,109
Other investments	658	(15)	—
	$ 32,248	$ 6,943	$ 43,941

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

Interest income in fiscal 2005 was $6.7 million versus $8.8 million in fiscal 2004 and $4.1 million in fiscal 2003. Interest income for the year ended March 31, 2005 includes $2.9 million in distributions from Gateway Income Fund versus $5.6 million in fiscal 2004 and $1.4 million in fiscal 2003. Clairvest held 1,500,650 units in Gateway Income Fund at March 31, 2005 versus 3,365,876 at March 31, 2004 and 4,501,970 at March 31, 2003. Distributions from Gateway Income Fund for fiscal 2003 represented the period November 28, 2002 to March 31, 2003.

Dividend income of $28.1 million for the year ended March 31, 2005 represented tax-free dividends earned from a Gateway Casinos entity. The dividends were paid by Gateway Casinos following Clairvest's repayment of $28.1 million of loans payable to Gateway Casinos. Dividend income for the years ended March 31, 2004 and March 31, 2003 represented tax-free dividends earned from a Gateway Casinos entity and from Datamark Systems Group Inc. ("Datamark"). Datamark has not paid dividends since fiscal 2004.

Management fees of $2.6 million were earned as compensation for Clairvest's services in the administration of the portfolio of CEP for fiscal 2005, versus $2.7 million for each of fiscal 2004 and fiscal 2003. 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 $1.3 million in fiscal 2005 versus $1.0 million in fiscal 2004 and $2.3 million in fiscal 2003. 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.

Administration and other expenses were $9.4 million in fiscal 2005 versus $6.9 million in fiscal 2004 and $7.3 million in fiscal 2003. Included in administration and other expenses was a $3.0 million accrual under Clairvest's Incentive Bonus Program for fiscal 2005 versus $1.9 million for fiscal 2004 and $2.3 million for fiscal 2003. Also included for the year ended March 31, 2005 was a $1.2 million foreign exchange loss as a result of the revaluation of the debt portion of Clairvest's foreign-denominated investments, as well as the foreign exchange forward contracts entered into as hedges against this portion of the investments. Included for the year ended March 31, 2003 was a $0.9 million foreign exchange loss on a forward contract.

Finance expense was $2.6 million in fiscal 2005 versus $4.4 million in fiscal 2004 and $1.2 million in fiscal 2003. Included in finance expense is $1.9 million of interest on the loan payable to a subsidiary of Gateway Casinos for fiscal 2005 versus $3.5 million for fiscal 2004 and $1.2 million for fiscal 2003. The loan balance was $15.0 million at March 31, 2005 versus $33.7 million at March 31, 2004 and $45.0 million at March 31, 2003. Interest on the loan for fiscal 2003 represented the period from November 28, 2002 to March 31, 2003. Finance expense for fiscal 2005 and fiscal 2004 also includes $0.7 million and $0.9 million respectively 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, 2005	18,947	14,345	0.73	0.69
December 31, 2004	11,920	8,995	0.45	0.43
September 30, 2004	8,229	4,458	0.22	0.21
June 30, 2004	6,222	2,092	0.10	0.10
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

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 management adjusts its estimate of the fair value of the investment.

FOURTH QUARTER RESULTS

In the fourth quarter of 2005, Clairvest repaid $28.1 million of short-term non-interest bearing loans and $1.2 million of 30-year non-interest bearing loans from Gateway Casinos entities and received a $28.1 million dividend from a Gateway Casinos entity. Previously recognized unrealized gains of $27.9 million on Clairvest's investment in Gateway Casinos were reversed in the fourth quarter of 2005 upon the recognition of the dividend. Also in the fourth quarter of 2005, the remaining $2.6 million (US$2.0 million) of the Sparkling Spring funds that were held in escrow following the sale of Sparkling Spring in fiscal 2003 were released.

FINANCIAL POSITION AND LIQUIDITY

Consolidated balance sheets ($000’s)

As at March 31,	2005	2004	2003
Assets			
Cash and cash equivalents	$ 1,828	$ 4,695	$ 15,181
Temporary investments	101,203	88,913	78,933
Accounts receivable and other assets	4,529	5,629	2,190
Loans receivable	5,623	—	—
Deferred loss on foreign exchange forward contracts	—	2,801	—
Corporate investments	180,246	199,448	210,170
	$ 293,429	$ 301,486	$ 306,474
Liabilities			
Accounts payable	$ 4,759	$ 3,456	$ 3,355
Income taxes payable	—	—	7,376
Loans payable	28,788	61,224	66,382
Derivative instruments market valuation	112	—	—
Deferred gain on foreign exchange forward contracts	558	—	—
Future tax liability	2,182	2,365	908
	36,399	67,045	78,021
Shareholders’ equity			
Share capital	106,704	110,151	112,426
Shares purchased for cancellation	(80)	(407)	—
Stock-based compensation	138	57	—
Retained earnings	150,268	124,640	116,027
	257,030	234,441	228,453
	$ 293,429	$ 301,486	$ 306,474

With $103.0 million in cash, 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, 2005.

Accounts receivable and other assets decreased $1.1 million to $4.5 million at March 31, 2005. The decrease is primarily attributable to income taxes being in a payable position at March 31, 2005 versus a recoverable position at March 31, 2004. Accounts receivable and other assets were $2.2 million at March 31, 2003. Included in accounts receivable and other assets at March 31, 2005 and March 31, 2004 was $2.7 million and $2.8 million, respectively, representing the release of the funds that were held in escrow following the sale of Sparkling Spring in fiscal 2003. Amounts owing from Sparkling Spring at March 31, 2004 were received during fiscal 2005 and amounts owing at March 31, 2005 were received subsequent to year-end.

Loans receivable at March 31, 2005 represent loans made to Wellington Fund II. The loans bear interest at the prime rate, and are payable on demand. The loans, together with interest, were repaid subsequent to year-end.

Accounts payable was $4.8 million at March 31, 2005 versus $3.5 million at March 31, 2004 and $3.4 million at March 31, 2003. Included in accounts payable was a $3.0 million, $1.9 million and $2.3 million accrual under Clairvest’s Incentive Bonus Program for fiscal 2005, fiscal 2004 and fiscal 2003 respectively.

Income taxes payable at March 31, 2005 were not significant, and were included in accounts payable. Income taxes at March 31, 2004 were in a recoverable position and were included in accounts receivable and other assets. Income taxes payable at March 31, 2003 of $7.4 million was comprised primarily of income taxes payable as a result of the sale of Sparkling Spring.

Derivative instruments market valuation was $0.1 million at March 31, 2005. Clairvest enters into foreign exchange forward contracts to hedge its exposure to exchange rate fluctuations on its investments. In accordance with hedge accounting, Clairvest is required to mark to market the debt portion of its foreign-denominated investments, as well as the foreign exchange forward contracts entered into as hedges against the debt portion of Clairvest’s investments. Derivative instruments market valuation at March 31, 2005 represents the valuation of the foreign exchange forward contracts being held at March 31, 2005 as hedges against the debt portion of Clairvest’s investments in Signature Security Group Holdings Pty Limited (“Signature”) and Consolidated Vendors. Derivative instruments market valuation was not significant at March 31, 2004 and March 31, 2003.

Deferred gain on foreign exchange forward contracts at March 31, 2005 was $0.6 million versus a deferred loss on foreign exchange forward contracts at March 31, 2004 of $2.8 million. The $0.6 million deferred gain at March 31, 2005 represents net cumulative exchange gains on the rolling of the forward contracts entered into as hedges against the equity portion of Clairvest’s foreign-denominated investments. The $2.8 million deferred loss at March 31, 2004 represented net cumulative exchange losses on the rolling of the forward contracts entered into as hedges against the equity portion of Clairvest’s foreign-denominated investments. The net cumulative exchange losses at March 31, 2003 were not significant.

Future tax liability decreased $0.2 million to $2.2 million at March 31, 2005. The decrease is primarily due to the reversal of previously recognized unrealized gains net of unrealized gains on investments for the year. Future tax liability at March 31, 2003 was $0.9 million. The increase from March 31, 2003 to March 31, 2004 was primarily due to unrealized gains on investments during fiscal 2004.

Clairvest’s financial liabilities are comprised of loans payable to Gateway Casinos entities which arose as part of the IPO of Gateway Income Fund in fiscal 2003. Loans payable were $28.8 million, $61.2 million and $66.4 for fiscal 2005, fiscal 2004 and fiscal 2003 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.

During fiscal 2005 Clairvest repaid $3.3 million of the 30-year non-interest bearing loan, and in fiscal 2004 repaid $4.4 million of this loan. The balance outstanding on the 30-year non-interest bearing loan at March 31, 2005 is $13.7 million.

Upon the sale of units of Gateway Income Fund during fiscal 2004, Clairvest was required to repay $11.4 million of the 30-year, interest-bearing loan. Thereafter, Clairvest received from a Gateway Casinos entity a loan in the amount of $10.1 million. This loan was non-interest bearing and repayable on demand at any time after December 31, 2004. Upon the sale of units of Gateway Income Fund during fiscal 2005, Clairvest was required to repay $18.7 million of the 30-year, interest-bearing loan. Thereafter, Clairvest received from a Gateway Casinos entity a loan in the amount of $16.4 million. This loan was non-interest bearing and repayable on demand at any time after December 31, 2004. The balance outstanding on the 30-year interest-bearing loan at March 31, 2005 is $15.0 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 and at December 31, 2004 this amount had increased to $1.6 million. These loans were non-interest bearing and repayable on demand at any time after December 31, 2004.

In the fourth quarter of fiscal 2005, Clairvest repaid all of the loans that were repayable on demand after December 31, 2004, being the $10.1 million that arose upon the sale of Gateway Income Fund units in fiscal 2004, the $16.4 million that arose upon the sale of Gateway Income Fund units in fiscal 2005 and the monthly loans totalling $1.6 million. Also in the fourth quarter of fiscal 2005, a Gateway Casinos entity paid a dividend, Clairvest’s share of which was $28.1 million.

Share capital decreased $3.4 million during the year ended March 31, 2005. The decrease resulted from the purchase and cancellation of common shares under the normal course issuer bids, net of the issuance of 29,000 common shares on the exercise of stock options. During fiscal 2005, Clairvest purchased and cancelled 662,000 common shares under its normal course issuer bids at a total cost of $5.5 million. During fiscal 2005 Clairvest also purchased 8,500 common shares under its normal course issuer bid at a cost of $80,000, which were cancelled subsequent to year-end. As at June 23, 2005, Clairvest had purchased a total of 2,312,241 common shares under this, and previous, normal course issuer bids at a total cost of $19.5 million.

At March 31, 2005, Clairvest had 17,549,438 common shares and 2,230,954 non-voting shares issued and outstanding. At March 31, 2005, Clairvest had 1,512,000 stock options outstanding, 1,097,400 of which were exercisable at March 31, 2005. Options are exercisable for one common share.

At June 23, 2005, Clairvest had 16,849,949 common shares, 2,230,954 non-voting shares and 1,512,000 stock options outstanding.

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 each of fiscal 2005, fiscal 2004 and fiscal 2003.

As is typical of a merchant bank, Clairvest's main asset is its corporate investments. Corporate investments decreased $19.2 million to $180.2 million at March 31, 2005. The decrease is comprised primarily of the sale of units of Gateway Income Fund with a fair value of $31.0 million and a $27.8 million reduction in the fair value of Gateway Casinos as a result of dividends paid to Clairvest by Gateway Casinos, net of unrealized gains on investments of $32.2 million, investments of $5.7 million and $1.2 million in Wellington Fund II and N-Brook, respectively, and a net $0.6 million increase in the fair value of foreign-denominated investments as a result of movements in foreign exchange rates.

Corporate investments decreased $10.8 million from $210.2 million at March 31, 2003 to $199.4 million at March 31, 2004. The decrease was comprised primarily of the sale of units of Gateway Income Fund with a carrying value of $16.1 million and the return of capital 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.

A discussion on the activity in each corporate investment for the year ended March 31, 2005 follows.

DATAMARK SYSTEMS GROUP INC.

At March 31, 2005 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 fair value of Clairvest's investment in Datamark increased $4.4 million to $14.5 million at March 31, 2005. The unrealized gain of $4.4 million resulted from the increase in share price from $2.17 per share at March 31, 2004 to $3.10 per share at March 31, 2005. Clairvest recorded an unrealized loss of $1.6 million for the year ended March 31, 2004, as a result of movements in the quoted market price from $2.50 per share to $2.17 per share.

The fair value of $14.5 million at March 31, 2005 compares to a cost of $14.4 million. The net cash investment at March 31, 2005 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, 2005, Clairvest owned 1,500,650 units in Gateway Income Fund through a wholly-owned subsidiary.

The fair value of Clairvest's investment in Gateway Income Fund decreased $23.2 million to $28.1 million at March 31, 2005. The decrease is comprised of the sale of units with a fair value of $31.0 million net of a $7.8 million unrealized gain. The unrealized gain of $7.8 million resulted from the increase in unit price from $16.81 per unit at March 31, 2004 to $20.57 per unit at March 31, 2005. Clairvest recorded an unrealized gain of $24.5 million for the year ended March 31, 2004 as a result of the increase in unit price from $10.50 per unit at March 31, 2003 to $16.81 per unit at March 31, 2004.

The fair value of $28.1 million at March 31, 2005 compares to a cost of $15.0 million. The net cash investment is in a net proceeds position of $24.1 million at March 31, 2005 as a result of a total of $50.8 million of net proceeds on the sales of units, $15.0 million of loans and $9.9 million of distributions received, net of $6.6 million of interest paid on the 30-year, interest-bearing loan.

As a condition for obtaining the approval of the British Columbia Lottery Corporation to the sale of units during fiscal 2005, Clairvest, together with certain other unit holders (the "Unit Holders") that combined hold 20% of the outstanding units of Gateway Income Fund, 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.

ALLIED GLOBAL HOLDINGS INC.

At March 31, 2005, Clairvest owned 39,363 10% convertible Class B preferred shares in Allied Global Holdings Inc. ("Allied").

The fair value of Clairvest's investment in Allied increased $0.4 million to $4.3 million at March 31, 2005. The unrealized gain of $0.4 million resulted from dividends accruing on the preferred shares. $0.4 million of accrued dividends were received during the year by way of a stock dividend of 3,579 preferred shares. Clairvest recorded an unrealized gain of $0.4 million for the year ended March 31, 2004, as a result of dividends accruing on the preferred shares.

The fair value of $4.3 million at March 31, 2005 compares to a cost of $3.0 million.

CONSOLIDATED VENDORS CORPORATION

At March 31, 2005, Clairvest owned 2,500 Class A preferred shares, 26,830 common shares, US$3.3 million of senior debt, a $0.5 million demand loan, $1.0 million of demand notes and 45,000 warrants in Consolidated Vendors.

During fiscal 2005, Clairvest purchased 16,601 common shares of Consolidated Vendors for US$32,750 and loaned $1.0 million to Consolidated Vendors. Clairvest recorded an unrealized loss of $1.4 million for fiscal 2005 and an unrealized loss of $3.9 million for fiscal 2004. Management determined that these write-downs were appropriate in light of the continued depressed economic conditions in Michigan.

Clairvest sold certain shares of Consolidated Vendors to CEP during fiscal 2002, and Clairvest 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 fair value of this investment, Clairvest would owe CEP $3.1 million under this guarantee. The $3.1 million guarantee payable has been netted against the fair value of the investment.

The fair value of Clairvest's investment in Consolidated Vendors decreased $1.4 million to $0.2 million at March 31, 2005. The decrease is comprised primarily of a $1.2 million revaluation of the senior bank debt, demand loan and demand notes as a result of movements in the foreign exchange rate. In accordance with hedge accounting, the debt portion of Clairvest's investment in Consolidated Vendors is marked to market at the consolidated balance sheet dates. The foreign exchange forward contracts entered into as a hedge against this portion of Clairvest's investment are also marked to market at the balance sheet date, resulting in an offsetting reduction in deferred gain on foreign exchange forward contracts of $0.9 million, and an increase in derivative instruments market valuation of $22,000. The net result of these adjustments is a $0.2 million foreign exchange loss on the consolidated statements of income.

The fair value of $0.2 million at March 31, 2005 compares to a cost of $7.0 million.

GATEWAY CASINOS INC.

At March 31, 2005, Clairvest owned, through a wholly-owned subsidiary, 28.4% of a limited partnership that owned Gateway Casinos.

The fair value of Clairvest's investment in Gateway Casinos decreased $10.4 million to $59.9 million at March 31, 2005. The decrease is comprised of a $27.8 million reversal of previously recognized unrealized gains, net of a $17.4 million unrealized gain on the investment. The reversal of previously recognized unrealized gain represents unrealized gains that were recognized in fiscal 2005 and prior years. Upon the receipt of a $28.1 million dividend from Gateway Casinos during fiscal 2005, these previously recognized unrealized gains were reversed. $8.0 million of the previously recognized unrealized gains related to unrealized gains recognized in fiscal 2005. The remaining $9.4 million of fiscal 2005 unrealized gains of $17.4 represents an upward adjustment to the fair value of the casinos operated by Gateway Casinos. This 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 $2.0 million for the year ended March 31, 2004, which management determined was appropriate in light of the developments at several of Gateway Casinos' casinos.

The fair value of $59.9 million at March 31, 2005 compares to a cost of $24.0 million. The net cash investment at March 31, 2005 was $2.1 million as a result of $13.8 million of loans received from Gateway Casinos, and $8.1 million of distributions received.

LANDAUER METROPOLITAN INC.

At March 31, 2005, Clairvest owned 1,906,250 10% cumulative convertible preferred shares and 446,858 common shares in Landauer Metropolitan Inc. ("Landauer"). During fiscal 2004, Clairvest had entered into an agreement to purchase the common shares, and had paid $0.3 million of the purchase price. The remaining $0.3 million of the purchase price was paid during fiscal 2005.

The fair value of Clairvest's investment in Landauer increased $0.6 million to $4.2 million at March 31, 2005. The increase is comprised of an unrealized gain of $0.3 million as a result of dividends accruing on the preferred shares and $0.3 million related to the purchase of common shares. Clairvest recorded an unrealized gain of $0.2 million for the year ended March 31, 2004, as a result of dividends accruing on the preferred shares.

The fair value of $4.2 million at March 31, 2005 compares to a cost of $3.6 million.

N-BROOK MORTGAGE LP

At March 31, 2005, Clairvest had funded $1.2 million of its $5.0 million commitment to N-Brook. The fair value of $1.2 million compares to a cost of $1.2 million at March 31, 2005.

NRI INDUSTRIES INC.

At March 31, 2005, Clairvest owned 6.0 million Class A preferred shares, 2.0 million Class D preferred shares, 4.5 million Class E preferred shares and 86,000 common shares of NRI Industries Inc. ("NRI").

The fair value of Clairvest's investment in NRI remained at $10.1 million over fiscal 2005. Clairvest recorded an unrealized loss of $14.8 million for the year ended March 31, 2004, primarily due to a $14.5 million write-down of the fair 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.

The fair value of $10.1 million at March 31, 2005 compares to a cost of $17.6 million.

SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED

At March 31, 2005, 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.

The fair value of Clairvest's investment in Signature increased $1.8 million to $30.2 million at March 31, 2005. The increase is comprised of a $1.8 million revaluation of the loans as a result of movements in the foreign exchange rate. In accordance with hedge accounting, the debt portion of Clairvest's investment in Signature is marked to market at the balance sheet date. The foreign exchange forward contracts entered into as a hedge against this portion of Clairvest's investment are also marked to market at the balance sheet date, resulting in an offsetting reduction in deferred loss on foreign exchange forward contracts of $2.7 million, and an increase in derivative instruments market valuation of $0.1 million.

The net result of these adjustments is a $0.9 million foreign exchange loss on the consolidated statements of income.

The fair value of $30.2 million at March 31, 2005 compares to a cost of $28.4 million.

VAN-ROB INC.

At March 31, 2005, Clairvest owned 5,000,000 Class A special convertible shares in Van-Rob. The fair value of $5.0 million at March 31, 2005 compares to a cost of $5.0 million.

VOXCOM INCORPORATED

At March 31, 2005, Clairvest owned 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.

During fiscal 2005, Clairvest sold its common shares to Voxcom for gross proceeds of $0.2 million 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 $0.8 million to Voxcom's banks. The Letter of Credit was released during fiscal 2005.

The fair value of Clairvest's investment in Voxcom increased $0.2 million to $11.8 million at March 31, 2005. The increase is comprised of a $0.3 million unrealized gain, net of the sale of common shares with a fair value of $0.1 million. The unrealized gain of $0.3 million resulted from an increase in the fair value of the convertible retractable preferred shares from cost to the going-private value. Clairvest recorded an unrealized gain of $35,000 for the year ended March 31, 2004 as a result of the increase in the common share price from $0.45 at March 31, 2003 to $0.60 at March 31, 2004.

The fair value of $11.8 million at March 31, 2005 compares to a cost of $11.5 million. The net cash investment at March 31, 2005 was $8.9 million as a result of the rolling of a total of $3.6 million of fees and interest into preferred shares, and the realization of a $1.1 million unrealized loss on the sale of common shares.

WELLINGTON FINANCIAL FUND I

Wellington Fund I was wound up during fiscal 2005. Upon the windup Clairvest received its prorata share of the warrants and other assets held by Wellington Fund I at the time. The warrants received by Clairvest on the windup of Wellington Fund I are included in other investments.

Clairvest recognized an unrealized gain on Wellington Fund I of $1.0 million, net of the reversal of previously recognized unrealized gains of $1.1 million. The unrealized gain of $1.0 million is as a result of movements in the price of the shares underlying the warrants held by Wellington Fund I. The reversal of previously recognized unrealized gains of $1.1 million relates to unrealized gains that were recognized in fiscal 2005 and prior years on warrants that were sold by Wellington Fund I during fiscal 2005.

Clairvest recorded an unrealized gain of $0.2 million for the year ended March 31, 2004 as a result of movements in the price of the shares underlying the warrants held by Wellington Fund I.

On a total commitment of $5.0 million to Wellington Fund I, Clairvest received back all of the capital it had funded, as well as distributions of $2.0 million, and received warrants with a fair value of $1.2 million upon the windup of the fund.

WELLINGTON FINANCIAL FUND II

At March 31, 2005, Clairvest had funded $7.4 million of its $20.0 million commitment to Wellington Fund II. Clairvest had committed $10.0 million to Wellington Fund II at March 31, 2004, and increased its commitment to $20.0 million during fiscal 2005.

The fair value of Clairvest's investment in Wellington Fund II increased $7.1 million to $8.8 million at March 31, 2005. The increase is made up of the funding of $5.7 million of Clairvest's commitment during the year and a $1.4 million unrealized gain. The unrealized gain of $1.4 million is as a result of movements in the price of the shares underlying the warrants held by Wellington Fund II.

The fair value of $8.8 million compares to a cost of $7.4 million at March 31, 2005.

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. 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. During fiscal 2005 CEP paid Clairvest net management fees of $2.6 million.

Loans, bearing interest at the prime rate, were made by Clairvest to CEP during fiscal 2005 and were repaid during fiscal 2005. Interest of $3,000 was received from CEP during fiscal 2005.

At March 31, 2005, Clairvest had accounts payable owing to CEP of $13,000.

The General Partner of CEP, a limited partnership, the general partner of which is 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 of CEP will be allocated 50% to each of its limited partners, one of which is a wholly-ownded subsidiary of Clairvest, and the other of which is another limited partnership (the "Participation Partnership"). The limited partners of the Participation Partnership are principals and employees of Clairvest (the "Investors"). The Investors purchased, at fair market value, units of the Participation Partnership during fiscal 2005. From time to time, additional units in the Participation Partnership may be purchased by the Investors. To date, CEP has not made any distributions to the General Partner.

Clairvest has guaranteed up to $7.0 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 $3.1 million under this guarantee if Consolidated Vendors were disposed of at the current fair value. The $3.1 million has been included as an offset against the fair value of Clairvest's investment in Consolidated Vendors.

Clairvest has also entered into various transactions with its corporate investments. During fiscal 2005 Clairvest received $3.9 million in interest, $28.1 million in dividends and $1.3 million in advisory and other fees from its corporate investments. During fiscal 2005 Clairvest paid $1.9 million in interest on a loan from a Gateway Casinos entity. At March 31, 2005, Clairvest had accounts receivable from corporate investments totalling $0.7 million.

At March 31, 2005, Clairvest also had a $2.7 million receivable from Sparkling Spring, representing the remaining funds that were held in escrow following the sale of the investment in fiscal 2003. The $2.7 million was received subsequent to year-end. No further amounts remain in escrow.

At March 31, 2005, Clairvest had loans receivable from certain officers of the Company or officers of corporate investments (the "Officers") totalling $0.7 million. The loans have full recourse and are collateralized by the common shares of Clairvest purchased by the Officers with a market value of $1.1 million. At March 31, 2005, Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totalling $0.2 million.

At March 31, 2005, Clairvest had loans receivable of $5.6 million from Wellington Fund II. The loans bear interest at the prime rate, and are repayable on demand. The loans, together with interest, were repaid subsequent to year-end. Interest of $10,000 was received from Wellington Fund II during fiscal 2005.

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 $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.

Clairvest has committed to fund $20.0 million to Wellington Fund II, $7.4 million of which has been funded to March 31, 2005.

Clairvest has committed to fund $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.

Clairvest enters into foreign exchange forward contracts to manage the risks arising from fluctuations in exchange rates on its foreign investments. At March 31, 2005, Clairvest had entered into forward contracts to sell AUS$31.3 million and US$12.3 million. The fair value of these contracts at March 31, 2005 is a loss of $300,000 on the Australian dollar contracts and a gain of $70,000 on the U.S. dollar contracts. $90,000 of the loss on the Australian dollar contracts relates to the debt portion of Clairvest's investment in Signature and has been recognized on the balance sheet as derivative instruments market valuation. The U.S. dollar 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.

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.

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.

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 would be owing to management under the Incentive Bonus Program. This amount has not been reflected in Clairvest's consolidated financial statements.

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 its exposure to changes in the value of the United States and Australian dollars relative to the Canadian dollar, Clairvest has hedged 100% of the fair value of its foreign investments.

Clairvest has some exposure to the financial markets, as approximately 24% of the fair value of Clairvest's investments at March 31, 2005, 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.

DISCLOSURE CONTROLS

Management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as of March 31, 2005. Management has concluded that the disclosure controls and procedures are effective as of March 31, 2005 based on this evaluation.

OUTLOOK

During the first two months of fiscal 2006, we have continued to assist our investee companies in developing and executing 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 Integral Orthopedics Inc., which acquired the businesses of Obus Forme Ltd., a prominent provider of orthopedic back care products, and Moller LLC, a leading developer of clinical treatment solutions for back and neck pain. Clairvest and CEP made a combined $15.5 million investment in Integral Orthopedics Inc., based on prorata capital commitments to their investment pool of 25% and 75% respectively, to acquire a controlling interest in the company.

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.

At March 31, 2005, Clairvest had $103.0 million in cash, cash equivalents and temporary investments and $100.5 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.