

Benvest Capital

ANNUAL REPORT 2002

www.benvest.com

Please note that this annual report includes primarily Benvest Capital's audited financial statements and related information for the twelve months ended August 31st, 2002 and the Chairman's Message dated January 1st, 2003. Detailed information on the Company, its activities and investments is contained on the Company's web site www.benvest.com, which is updated on a periodic basis. Shareholders not having access to the web site may request copies of its contents by contacting the Company. Additional information is also available at www.sedar.com.

CONTENTS OF THIS REPORT

	Page
Officers & Directors	2
Chairman’s Message	3
Summary of Principal Assets	6
Management’s Discussion and Analysis of Financial Results	7
Management’s Responsibility for Financial Statements	7
Auditors’ Report	8
Financial Statements	9
Corporate Profile	15

* * * * *

OFFICERS & DIRECTORS

W. John Bennett
Chairman, Chief Executive Officer & Director

C. Emmett Pearson
President, Chief Financial Officer & Director

J. Gill Broome
Senior Vice President
Corporate Development & Special Projects

K. Warren Simpson
Consultant & Director

OUTSIDE DIRECTORS

Richard Cherney, Secretary
Managing Partner
Davies Ward Phillips & Vineberg

Paul S. Echenberg
President & Chief Executive Officer
Schroders Associates Canada

William R. Ferguson
President
Eric T. Webster Foundation

John D. Thompson
Vice Chairman
Montreal Trustco Inc.

CHAIRMAN'S MESSAGE

As in previous years, this report includes the Chairman's Message and Benvest Capital's audited financial statements and related information for the recent fiscal year ended August 31st, 2002. Complete and more detailed information on Benvest, its activities and investments is contained on our corporate web site, www.benvest.com, which is updated periodically.

2002 Overview

Our 2002 fiscal year began on September 1st, 2001 shortly before the 9/11 terrorist attacks in the United States. The immediate impact of these events on our portfolio companies, particularly The Fitness Company and CMN International, was detailed in last year's Message and will be updated in this report where relevant.

In 2002, in spite of the uneasy economic and financial climate, we made further progress in achieving our stated corporate objectives. These are: consolidating ownership and control of our key portfolio companies, improving their operations, and divesting of non-core assets. Highlights were as follows:

- a) aggregate revenues for portfolio companies reached \$418 million, proportional revenues, equal to our proportional interest, attained \$140 million;
- b) we increased our ownership and control of The Fitness Company to 82%, recapitalized the company and significantly strengthened the management team with the hiring of Rick Hall as C.E.O. (which parallels what was achieved with Lunetterie New Look in the previous year);
- c) CMN International, in which we hold a 20% interest as the largest shareholder, had a promising recovery year after a very tough 2001 caused by turbulent market conditions; and
- d) we were able to exchange our final position in non-core asset M3i Systems for shares in Cognicase, a public company that is currently in the process of a takeover offer by CGI Inc., which will allow us to finally liquidate this position.

As a result of these efforts over the past two years, we are now in a position where we have control and majority ownership of our key operating companies, The Fitness Company and New Look, and have configured them as growth platforms going forward. Our key remaining asset, CMN International, in which at 20% we remain the largest shareholder, is now in a better position for a liquidity event in the next two years.

As reported in last year's Message, a principal focus in 2002 and continuing onwards in 2003 is unlocking shareholder value for Benvest shareholders. This has been a major frustration for all of us: management, directors and shareholders. We recently completed an analysis of the various alternatives including: (i) consolidating the results of our key operating companies going forward and evolving Benvest into an operating public vehicle; and (ii) the sale of certain of the portfolio assets to unlock shareholder value, through shareholder distributions and other means. In our current corporate configuration, we are not realizing the advantages of a publicly listed company yet have the disadvantage in terms of cost and other matters including a lack of shareholder liquidity and disappointing trading at inappropriate share prices. We intend to finalize a course of action in the first half of 2003.

Merchant Banking Activities

Portfolio investments

Following is a summary of particulars (More complete information is set out at www.benvest.com).

Lunetterie New Look International ("New Look") (100% owned (80% fully diluted)), is a leading eyewear retailer with 38 stores located throughout Quebec and Eastern Ontario (see www.newlook.ca). Since we acquired control of New Look in May 2001, the new management team headed by Emmett Pearson, Michel Laurendeau and Rock Daneau has implemented many changes in order to provide improved service to customers and provide the infrastructure for expansion. During 2002, the last of these major changes was completed with the opening of a major new laboratory and distribution centre in Montreal. New Look had previously outsourced its laboratory requirements to various independent laboratories and had operated a distribution centre in Quebec City. The opening of the new \$2.3 million laboratory and distribution centre was a challenging project that was completed in October. The laboratory is state-of-the-art and computer controlled, providing for surfacing, coating, edging and mounting of lenses. The operating results for the current year have been adversely affected by the start-up of these key new core initiatives, which took longer and were more operationally difficult to integrate than originally anticipated. Revenues for fiscal 2002/2003 are projected at \$32 million. The operating synergies of the new laboratory and distribution centre will begin to make a positive impact on revenues and profitability during 2003 and beyond. New Look is now well positioned for expansion initially in the greater Montreal area and has recently signed a commitment for a new store in Laval, Quebec. Benvest believes that with the infrastructure capable of supporting a much larger revenue base now in place, New Look provides an excellent platform for consolidation of the industry in Canada.

The Fitness Company (“TFC”) (82% ownership), owns and operates 21 clubs and manages another 35 in its four strategic East Coast markets of New York/New Jersey, Washington, D.C., South Carolina and South Eastern Florida (see www.thefitnesscompany.com). In spite of the economic downturn and the loss of the World Trade Center club on 9/11, 2001 results finished at revenues of US\$36 million compared to the US\$34 million forecasted in this report last year as core clubs continued to perform well. This compares to US\$8.2 million in 1996, prior to Benvest’s initial investment. On December 31st, 2001, Benvest increased its ownership to 82%, gained operational control and recapitalized TFC to take it forward. On January 1st, Rick Hall took over as C.E.O. and reorganized and re-energized the senior management team. The new team has done an excellent job in improving accounting and information systems, centralizing corporate services and establishing growth criteria. During the first eight months of 2002, TFC has exceeded operating budgets at both the club and corporate level and should continue to perform well to year-end. Revenues for 2002 are projected at US\$32 million, down from last year due to the loss of the World Trade Center club and the elimination of two marginally profitable owned clubs. However, profitability will be significantly improved. During the year, TFC obtained an adequate insurance settlement on the World Trade Center club (US\$2.5 million) and continued its hospital wellness club initiative at Doylestown, Pennsylvania and its spa club initiative at Newport, New Jersey. These accomplishments by the new management team have put the Company in a position to raise new capital and expand as a leading platform for the consolidation of the industry in the Eastern United States. Going forward, it is expected that TFC will be a primary focus for Benvest in accelerating an increase in shareholder value.

CMN International (20% Benvest ownership), formerly known as Colliers Macaulay Nicolls, is a leading consolidator in the North American and international full-service commercial real estate services industry (see www.colliers.com). Its principal operations are in Canada (13 offices), the United States (17) Mexico and Latin America (11), Australia/New Zealand (7) and Asia (10). Since 1995, when Benvest first invested, CMN’s annual revenues have increased 282% from US\$56 million to estimated US\$214 million in 2002. As noted in this Message last year, after an outstanding 2000, CMN had a very tough year in 2001 as a result of weak overall economic conditions and 9/11. We are pleased to report that 2002 has been a promising recovery year. Canada and Australia/New Zealand have been the strong points while U.S. and Asian operations are turning around more slowly: Revenue for the nine months to September 30th, 2002 amounted to US\$155.9 million vs. US\$133.3 million for the same period last year, an increase of 17%. EBITDA for the nine months amounted to US\$4.1 million vs. US\$1.5 million for the same period last year, a 173% increase.

The outlook for 2003 envisages a return to more normal growth and profitability trends with an emphasis on infrastructure building, particularly national and international corporate and financial services. Effective December 31st, 2001, CMN acquired the remaining 50% of Colliers Jardine. This company, now known as Colliers International Asia Pacific, is a leading player in Australia/New Zealand and Asia, and has been successfully turned around in 2002 under CMN’s direction. It is expected to be operating profitably in 2003. At the June annual meeting, Doug Frye, previously C.O.O. North America, was appointed overall C.E.O. of CMN, marking a passing of the torch to a younger management team. John McLernon, the founding entrepreneur, has moved up to non-executive Chairman and CMN will continue to benefit from his experience and vision.

Other Situations consisted of 84,690 common shares of Cognicase Inc., a publicly listed Montreal based provider of information technology business solutions and software. In January 2002, Benvest exchanged its remaining common and preferred shares in M3i Systems Inc. for 84,690 shares of Cognicase Inc. pursuant to a takeover of M3i by the latter company with a transaction value of \$855,369. During fiscal 2002, a provision of \$659,346 was recorded principally on this holding, reflecting a decline in the listed market value of these shares. On January 1st, 2003, CGI Group Inc., a publicly listed Montreal based software services company, announced a revised takeover offer for all the outstanding common shares of Cognicase on the basis of (i) \$4.50 cash per share or (ii) 0.6311 Class A subordinate share of CGI per share, subject to a maximum aggregate cash consideration and a maximum aggregate share consideration. The Board of Directors of Cognicase has recommended this offer; it is expected to be successful and Benvest intends to tender its Cognicase shares.

Financial Results

We have not consolidated or equity accounted for the results of our key portfolio companies. As a result, the financial results for Benvest Capital, the parent public company of the group, only include its direct income and expenses, which are not significant in the overall picture. They do not include the results of its operating companies, New Look and The Fitness Company, nor of CMN International (20% owned). The current net cost of operations is \$0.5 million per year, which represents the current level of head office annual add-on cost to Benvest shareholders. We are in an ongoing process to reduce these costs but it may not be possible to completely eliminate the gap due to our current corporate structure as a public company.

With respect to 2002 results, investment income including foreign currency translation and capital transactions amounted to \$941,506 as compared to \$1,030,179 for the previous year. Included in the 2002 results are gains of \$99,996 and foreign currency adjustments of \$46,505. The results for the previous year included foreign currency adjustments of \$57,507. Administrative costs declined to \$1,225,653 from \$1,448,277.

Net operating earnings for 2002, including debt interest, were \$(451,950) compared to \$(589,922) previously. As noted above, since the Company does not consolidate the results of its majority owned operating companies, this amount represents the net cost in 2002, including financing costs, of running the parent company in the group. As previously noted, a provision of \$659,346 was recorded against earnings in 2002, principally as a result of the decline in the market value of shareholdings in Cognicase. As a result, net earnings for the year were \$(1,111,296) compared to \$(3,289,922) in 2001. That result was impacted by a \$2,700,000 provision on the M3i Systems position. Net earnings per Series "A" share for fiscal 2002 were \$(0.118) as compared to \$(0.343) in 2001.

Supplemental Financial Information

To assist shareholders in understanding our progress, we produce "Supplemental Financial Information" providing investors with an economic profile of growth of the portfolio companies since 1995. Aggregate revenues in 2002 of Benvest and its significantly owned portfolio companies amounted to \$418 million, a 4.6x's increase over 1995. On a proportional basis equal to Benvest's undiluted interests, revenues amounted to \$140 million, a 5x's increase over 1995. 2002 EBITDA results are not currently available due to timing differences and will be made available on our corporate web site at a later date. Details and charts of the Supplemental Financial Information are set out at www.benvest.com under the appropriate headings.

Capital Transactions

Noteworthy capital transactions since September 1st, 2001 included: (i) the exchange of the remaining interest in M3i for 84,690 shares of Cognicase Inc.; (ii) the acquisition of additional shares of TFC in the amount of US\$1,500,000 through the conversion of convertible securities and debt (US\$1,000,000) and new funds (US\$500,000); (iii) the removal of US\$2,450,000 of Benvest collateralized guarantees from the bank line of TFC; and (iv) the refinancing in May of \$1.7 million of the Company's 8.5% debentures for a further 3-year term. At fiscal year-end there were outstanding Benvest unsecured guarantees on obligations of New Look in the amount of \$2.7 million.

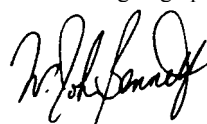
Share Performance (Net Book Value)

The market performance of the Series "A" common shares continues to be a major frustration for us. During the fiscal year, the shares traded in the range of \$2.00 to \$3.10. They closed at \$1.89 per share in December 2002, which compares with net book value of \$1.92 per share at fiscal year-end. We continue to believe that given the underlying value of our portfolio investments, which are shown on our books at cost, and over which we now have much greater control and new re-energized management teams, there is considerable scope for upside growth in our traded share value. As noted earlier in this Message, unlocking shareholder value and shareholder liquidity remains a major focus for 2003. In the meantime, Benvest has been purchasing back its shares under an issuer bid. From September 1st, 2001 to January 1st, 2003, 63,400 shares have been repurchased at an average price of \$2.44 per share.

Management Team

Finally, a special thanks to our management team of Emmett Pearson, Gill Broome and Warren Simpson and our administrative personnel of Lise Melanson, Serena De Souza and Lynda Deschambault. Also thanks to the management teams of our portfolio companies: Rick Hall, Steve Smith and Amy Lerner (TFC); Emmett Pearson, Michel Laurendeau and Rock Daneau (New Look); and Doug Frye, John McLernon, Craig Robbins, Jamie Horne, and Doug Morison (CMN).




We ploughed ahead this year in an uneasy economic and financial climate. Emphasis was on basic operations at all levels and hopefully this will bear positive results in the coming years as we try to unlock value for Benvest shareholders. Throughout the coming year, stay posted to our web site for ongoing updates on our progress.



W. JOHN BENNETT
Chairman and Chief Executive Officer

January 1st, 2003
Montreal, Quebec

PRO-FORMA SUMMARY OF PRINCIPAL ASSETS
AS AT DECEMBER 31, 2002

Portfolio Investments	Investment	Equity Stake	Book Value (\$ millions)	Description of Investment
	CMN International	20%	\$7.2	1,490,579 common shares
	The Fitness Company ⁽¹⁾	82%	\$6.8	4,235,321 common shares 200,000 warrants (US\$1.25) 500,000 warrants (US\$2.50)
	New Look International ⁽²⁾	100% (80%)	\$3.3	700,001 class A common shares
Other ⁽³⁾⁽⁴⁾		N/A	\$0.2	84,690 Cognicase Inc. common shares
Total Portfolio Investments			\$17.5	

Other Assets

Temporary Securities	\$3.1	Principally in corporate short term fixed income securities
Other Assets	\$2.3	
Total Other Assets	\$5.4	
Total Assets	\$22.9	

- (1) Since September 1, 2001, the beginning of the Company's 2002 fiscal year, Benvest has acquired the following additional investments in The Fitness Company: (i) 1,000,000 shares for US\$1,500,000 through the conversion of other securities (US\$1,000,000), and new funds (US\$500,000); (ii) 200,000 warrants exercisable at US\$1.25 per share for services rendered, and (iii) 500,000 warrants exercisable at US\$2.50 per share for services rendered. In December 2001, collateralized Benvest guarantees of US\$2,450,000 of indebtedness of The Fitness Company were retired.
- (2) Benvest owns 100% of the common share equity of New Look (80% on a fully diluted basis). At fiscal year-end, Benvest had outstanding unsecured guarantees on New Look obligations of \$2.7 million.
- (3) In January of 2002, Benvest exchanged its remaining common and preferred shares in M3i Systems Inc. for 84,690 shares of Cognicase Inc., with a one-year hold period, pursuant to a takeover of M3i by the latter company with a transaction value of \$855,369. During fiscal 2002, a provision of \$659,346 was recorded principally on this holding, reflecting a decline in the listed market value of these shares.
- (4) On January 1st, 2003, CGI Group Inc., a publicly listed Montreal based software services company, announced a revised takeover offer for all the outstanding common shares of Cognicase on the basis of (i) \$4.50 cash per share or (ii) 0.6311 Class A subordinate share of CGI per share, subject to a maximum aggregate cash consideration and a maximum aggregate share consideration. The Board of Directors of Cognicase has recommended this offer; it is expected to be successful and Benvest intends to tender its Cognicase shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

Operations

Year over year, portfolio investments increased from \$16.9 million to \$17.5 million. The position in The Fitness Company was augmented by \$1.3 million, whereas the investment in M3i Systems Inc. was exchanged for shares in Cognicase Inc. as a result of Cognicase acquiring M3i. The Cognicase transaction resulted in a decrease in portfolio investments of \$0.1 million with a further decrease of \$0.6 million in portfolio investments as a result of a valuation provision with respect to the decline in the market value of the Cognicase shares.

Net Investment Income

This amount decreased by \$0.2 million principally as the result of reduced management fees and other income from portfolio investments.

Administration and Other Expenses

The decline in these expenses of \$0.2 million results from savings derived from the reallocation of certain staff together with other efficiencies and partially offset by higher interest charges on bank indebtedness.

Net Earnings

The operating loss reported of \$0.5 million is principally the product of administrative and other expenses, including interest on bank indebtedness, exceeding net investment income by this amount. The balance of the reported loss of \$0.6 million is principally due to the aforementioned provision with respect to the Cognicase shares as a result, the net loss per share was \$0.118.

Liquidity and Capital Resources

Cash and temporary investments (principally commercial paper) increased marginally by \$0.1 million to \$2.9 million. At the same time, bank indebtedness increased by \$2.3 million. Principal uses of liquidity during the period included: the increased investment in The Fitness Company for \$1.3 million; operations for \$0.5 million; the financing of additional receivables and accruals for \$0.3 million and the purchase of 63,400 Series "A" common shares of the Company for \$0.1 million under a normal course issuer bid.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements of Benvest Capital Inc. and the other financial information included in this annual report are the responsibility of the Company's management and are approved by its Board of Directors. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include some amounts that are based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

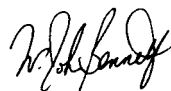
The Company maintains internal control systems designed to ensure that financial information is relevant and accurate and that assets are protected.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and of established financial standards and principles and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its Audit Committee, whose membership comprises non-management directors. This committee's role is to review the financial statements and recommend approval by the Board of Directors and to review internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the Audit Committee meets periodically with the external auditors to review their audit plans and to discuss the results of their examinations. This committee is also responsible for recommending the appointment of the external auditors.

The Company's external auditors, Raymond Chabot Grant Thornton, appointed by the shareholders at the Annual General Meeting, have audited the Company's financial statements and their report on the financial statements follows.

Montreal, Canada
October 11th, 2002



W. John Bennett
Chief Executive Officer



C. Emmett Pearson
Chief Financial Officer

AUDITORS' REPORT

**To the Shareholders of
Benvest Capital Inc.**

We have audited the consolidated balance sheets of Benvest Capital Inc. as at August 31, 2002 and 2001 and the consolidated statements of earnings and deficit and changes in net assets for the years then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at August 31, 2002 and 2001 and the results of its operations and changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.



Raymond Chabot Grant Thornton
General Partnership
Chartered Accountants

Montreal, Canada

October 11, 2002

Consolidated Balance Sheet

	August 31,	
	2002	2001
ASSETS		
Portfolio investments	\$17,546,849	\$16,977,744
Temporary investments (Note 3)	2,959,897	2,870,812
Receivables and accruals	1,386,435	1,056,102
Other	74,360	100,425
Future income tax assets (Note 7)	905,147	905,147
	<u>\$22,872,688</u>	<u>\$ 21,910,230</u>
 SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital (Note 4)	\$19,376,867	\$19,507,767
Contributed capital (Note 4)	791,910	815,510
Deficit	(2,185,893)	(1,074,597)
	17,982,884	19,248,680
Debentures (Note 5)	1,974,000	2,006,000
Accounts and income taxes payable or accrued	218,888	222,519
Bank indebtedness (Note 6)	2,696,916	433,031
	<u>\$22,872,688</u>	<u>\$21,910,230</u>

Approved by the Board,



John Bennett, Director



C. Emmett Pearson, Director

Consolidated Earnings and Deficit

	Year ended August 31,	
	2002	2001
CONSOLIDATED EARNINGS		
Fees, interest and other income	\$ 795,005	\$ 972,672
Currency translation – net	46,505	57,507
	841,510	1,030,179
Debenture interest	(167,803)	(171,824)
	673,707	858,355
Administration and other expenses	1,225,653	1,448,277
Provision for decline in value of non-strategic assets	659,346	2,700,000
Gain on disposition of portfolio investment	(99,996)	-
	1,785,003	4,148,277
Net loss	\$ (1,111,296)	\$ (3,289,922)
Loss per share	\$ (0.118)	\$ (0.343)
CONSOLIDATED DEFICIT		
Retained earnings (deficit) - beginning of year	\$ (1,074,597)	\$ 2,215,325
Loss for the year	(1,111,296)	(3,289,922)
	\$ (2,185,893)	\$ (1,074,597)

Consolidated Changes In Net Assets

	Year ended August 31,	
	2002	2001
Provision for decline in value of non-strategic assets	\$ (659,346)	\$ (2,700,000)
Increase in portfolio investments	1,848,647	1,049,497
Disposal of portfolio investments	(755,373)	-
Gain on disposal of portfolio investment	99,996	-
Redemption of 7.5% debentures	-	41,000
Redemption of 8.5% debentures	332,000	-
Issue of 8.5% debentures	(300,000)	-
Increase (decrease) in temporary investments	89,085	(2,134,080)
Increase in bank indebtedness	(2,263,885)	(433,031)
Other changes - net	343,080	21,455
Net decrease	(1,265,796)	(4,155,159)
Net assets - beginning of year	19,248,680	23,403,839
Net assets - end of year	\$ 17,982,884	\$ 19,248,680

Notes to the Consolidated Financial Statements

1. GOVERNING STATUTE AND NATURE OF OPERATIONS

Incorporated under the Canada Business Corporations Act, the Corporation is engaged in merchant banking and its common shares are listed on the Toronto Stock Exchange.

2. ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and of its non-portfolio subsidiaries.

Portfolio investments

Portfolio investments, principally equity ownership interests in private growth companies, are carried at cost (with appropriate provision for loss of value, when necessary) for unlisted securities, or at market value (as indicated by market quote) for listed securities.

Currency translation

Monetary assets and liabilities in other currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at rates in effect at transaction dates. Gains and losses are included in earnings for the year.

Income Taxes

The company uses the tax liability method for accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of the assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse.

3. TEMPORARY INVESTMENTS

Such investments are carried at market value, which is currently equal to cost.

4. SHARE CAPITAL

Authorized

An unlimited number of shares, issuable in series, with rights and other attributes determinable by the Board of directors:

Preferred shares

- First preferred and second preferred.
- 60,000 convertible preferred shares, Series "I", have been created with a stated value of \$100 per share and an annual cumulative dividend of \$7.50, which shares are redeemable at their stated value on certain conditions by the issuer and are convertible by the holder into 80 Series "B" common shares each.

Common shares

- Series "A" entitle the holder to receive a dividend equal to twice that of Series "B" shares.
- Series "B" are convertible (two for one) into Series "A" shares at the option of the holder.

	2002	2001
Issued and outstanding		
9,387,199 Series "A" common shares (9,450,599 in 2001)	\$ 19,376,867	\$ 19,507,767

During the year, the following share capital transactions occurred:

63,400 Series "A" common shares were repurchased for a cash consideration of \$154,500 resulting in a premium of \$23,600 being charged to contributed surplus.

488,000 shares are reserved for outstanding share option arrangements; a further 85,057 shares are reserved for issuance against warrants attached to the 8.5% debentures (note 5).

Options outstanding as at August 31, 2002 permit holders to acquire Series "A" common shares.

<u>Series</u>	<u>Shares</u>	<u>Option price</u>	<u>Expiry dates</u>
10	100,000	\$2.20	February 27, 2003
11	70,000	\$2.50	July 30, 2003
12	100,000	\$2.50	February 24, 2004
13	218,000	\$2.50	August 01, 2005
	<u>488,000</u>		

5. DEBENTURES

	<u>2002</u>	<u>2001</u>
7.5% unsecured and subordinated to all other indebtedness. The maturity date is extendable, at the option of the holder, on December 31 of each year through 2012.	\$ 244,500	\$ 244,500
8.5% , maturing May 3, 2005, unsecured and subordinated to all other indebtedness. Each \$500 unit carries 24.59 warrants which can be exercised to purchase until May 3, 2004 one Series "A" common share at a price of \$3.05.	1,729,500	1,761,500
	<u>\$ 1,974,000</u>	<u>\$ 2,006,000</u>

6. BANK INDEBTEDNESS

The bank indebtedness consists of the utilized portion of a \$5,000,000 operating line of credit (including letters of guarantee and letters of credit) and bears interest at prime plus 0.625%. The bank indebtedness is secured by a moveable hypothec on all present and future moveable property of the Corporation including the portfolio investments, a general pledge over the temporary investments and a general assignment of book debts.

7. INCOME TAXES

	<u>2002</u>	<u>2001</u>
Future income tax assets resulting from:		
Non-capital tax losses	\$ 537,242	\$ 961,840
Capital tax losses	491,130	0
Portfolio investments	141,592	513,815
Excess of tax value over carrying value of other assets	<u>156,366</u>	<u>143,446</u>
	1,326,330	1,619,101
Valuation allowance	(421,183)	(713,954)
Net future income tax assets recorded	<u>\$ 905,147</u>	<u>\$ 905,147</u>

8. RELATED PARTY TRANSACTIONS

The consolidated balance sheets reflect the following account balances from related parties:

	2002	2001
Receivables and accruals from portfolio companies	\$879,461	\$876,480
Receivables and accruals from officers	\$425,133	\$425,133

The consolidated statement of earnings and deficit reflect the following transactions with related parties:

Fees, interest and other income from portfolio companies	\$616,004	\$967,759
Interest income from officers or entities related to officers	\$24,509	\$46,652

During the year ended August 31, 2002, the Corporation collected an amount of \$81,882 with regards to the transactions with related parties recorded in 2002 and 2001 (in 2001, the Corporation collected an amount of \$772,718 with regards to transactions recorded in 2001 and prior years). Additionally, during the year ended August 31, 2002, the Corporation converted receivables and accruals of \$403,097 relating to portfolio companies into common shares of such companies. Management fees of \$256,000 recorded as income in the year ended August 31, 2002, were recorded as an additional investment in one of the portfolio investments.

These transactions were concluded in the normal course of operations at the exchange amount established and accepted by the parties.

9. CONTINGENCIES

The Corporation has guaranteed the repayment of certain indebtedness of a portfolio company, the exposure under which, as at August 31, 2002, amounted to some \$ 2.7 million.

CORPORATE INFORMATION

CORPORATE PROFILE

At Benvest, we are committed to building shareholder value through acquiring and nurturing ownership interests in private growth companies led by strong entrepreneurial management teams.

Our investment focus is on established and emerging service based businesses where value growth is driven by experienced operators, industry consolidation and demographic trends. We also look for information technology based business opportunities. Our geographical focus is North America, but with a global reach.

We invest in proven management teams who have consistently demonstrated sound business practices, are committed to growth and have the potential to realize above average returns in their respective industries. Consistent with our ownership policies at Benvest, we insist that management have a significant stake in our portfolio companies.

Our investment goes beyond a financial commitment. By dedicating our combined expertise, resources and relationships to our portfolio partners, we create a cooperative environment in which long-term values may be maximized.

Benvest Capital Inc. is a Canadian based merchant bank, trading on the Toronto Exchange (under the symbol "BCI").

Benvest's principal investments currently are:

The Fitness Company (82%), an emerging major player in the US health and fitness club industry; and New Look International (100%), a major participant in the integrated eyewear business in Eastern Canada; and CMN International (20%), a rapidly growing international real estate services company.

COORDINATES

Head Office

1 Place Ville Marie
Suite 3230
Montreal, Quebec
H3B 3Y2

Tel: (514) 877-4299

Fax: (514) 876-3956

Web Site: <http://www.benvest.com>

Shareholder Inquiries

Lise Melanson

Tel: (514) 877-4299 ext. 2234

Fax: (514) 876-3956

E-Mail: L.Melanson@benvest.com

Transfer Agent & Registrar

National Bank Trust Inc.
1100 University Street
Montreal, Quebec
H3B 5G6

Auditors

Raymond Chabot Grant Thornton
600 de la Gauchetière West
Suite 1900
Montreal, Quebec
H3B 4L8

Annual General Meeting

The Annual General Meeting of Shareholders will be held on Wednesday, February 26th, 2003 at 11:00 a.m. at the Ritz Carlton Hotel, 1228 Sherbrooke Street West in Montreal.

