

CLAIRVEST GROUP INC.
NOTICE TO READER
June 30, 2016
[unaudited]

NOTICE TO READER PURSUANT TO NATIONAL INSTRUMENT 51-102 – CONTINUOUS DISCLOSURE OBLIGATIONS

Under National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of a reporting issuer's interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CLAIRVEST GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
[unaudited]

| \$000's | June 30 | March 31 |
|---|-------------------|-------------------|
| | 2016 | 2016 |
| ASSETS | | |
| Cash and cash equivalents [Notes 4, 12, and 15] | \$ 65,726 | \$ 65,250 |
| Temporary investments [Notes 4 and 15] | 22,127 | 21,793 |
| Accounts receivable and other assets [Notes 10[m] and 15] | 30,763 | 27,446 |
| Loans receivable [Note 10[1]] | 29,882 | 30,563 |
| Income taxes recoverable | 4,419 | 4,888 |
| Derivative instruments [Note 13] | 634 | 581 |
| Carried interest receivable [Note 10] | 68,725 | 64,009 |
| Corporate investments [Notes 7, 15 and 16] | 368,355 | 353,801 |
| Fixed assets [Notes 8 and 10[o]] | 1,774 | 1,860 |
| | \$ 592,405 | \$ 570,191 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 2,853 | \$ 2,501 |
| Dividend payable | 4,855 | — |
| Income taxes payable | 115 | 110 |
| Accrued compensation expense [Notes 11 and 14[h]] | 8,186 | 6,860 |
| Share-based compensation [Note 11] | 23,161 | 17,083 |
| Management participation [Note 10] | 47,294 | 43,977 |
| Deferred income tax liability | 13,701 | 14,139 |
| | 100,165 | 84,670 |
| Contingencies, commitments and guarantees [Note 14] | | |
| Shareholders' Equity | | |
| Share capital [Note 9] | 81,662 | 81,662 |
| Retained earnings | 410,578 | 403,859 |
| | 492,240 | 485,521 |
| | \$ 592,405 | \$ 570,191 |

[see accompanying notes to interim condensed consolidated financial statements]

CLAIRVEST GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
[unaudited]

| \$000's [except per share information] | Quarters ended June 30 | |
|---|---------------------------|-----------------|
| | 2016 | 2015 |
| REVENUE | | |
| Net investment gains [Note 5] | \$ 14,356 | \$ 12,600 |
| Distributions and interest income [Note 10] | 5,377 | 3,722 |
| Net carried interest income [Notes 6 and 10] | 4,598 | 3,888 |
| Management fees [Notes 10[e] and 10[h]] | 326 | 179 |
| Advisory and other fees [Note 10[n]] | 378 | 344 |
| | <u>25,035</u> | <u>20,733</u> |
| EXPENSES | | |
| Employee compensation and benefits [Notes 11 and 14[h]] | 2,878 | 2,241 |
| Share-based compensation expenses [Note 11] | 5,763 | 5,031 |
| Administration and other expenses | 1,408 | 1,296 |
| Finance and foreign exchange expense [recovery] | [168] | 241 |
| Management Participation [Note 10] | 3,317 | 2,967 |
| | <u>13,198</u> | <u>11,776</u> |
| Income before income taxes | 11,837 | 8,957 |
| Income tax expense | 263 | 1,068 |
| NET INCOME AND COMPREHENSIVE INCOME | <u>\$ 11,574</u> | <u>\$ 7,889</u> |
| Basic and fully diluted net income and comprehensive income per share | <u>\$ 0.76</u> | <u>\$ 0.52</u> |

[see accompanying notes to interim condensed consolidated financial statements]

CLAIRVEST GROUP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
[unaudited]

| \$000's | Share capital | Retained earnings | Total shareholders' equity |
|--|----------------------|--------------------------|-----------------------------------|
| As at April 1, 2016 | \$ 81,662 | \$ 403,859 | \$ 485,521 |
| Changes in shareholders' equity | | | |
| Net income and comprehensive income for the period | | <u>11,547</u> | <u>11,547</u> |
| | | 415,433 | 497,095 |
| Dividends declared [\$0.3191 per share] | — | <u>[4,855]</u> | <u>[4,855]</u> |
| As at June 30, 2016 | \$ 81,662 | \$ 410,578 | \$ 492,240 |
| As at April 1, 2015 | \$ 79,314 | \$ 368,380 | \$ 447,694 |
| Changes in shareholders' equity | | | |
| Net income and comprehensive income for the period | | <u>7,889</u> | <u>7,889</u> |
| | | 376,269 | 455,583 |
| Dividends declared [\$0.2958 per share] | — | <u>[4,487]</u> | <u>[4,487]</u> |
| Issuance of shares on exercise of stock options | 1,032 | — | 1,032 |
| As at June 30, 2015 | \$ 80,346 | \$ 371,782 | \$ 452,128 |

[see accompanying notes to interim condensed consolidated financial statements]

CLAIRVEST GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
[unaudited]

| \$000's | Quarters ended | |
|---|-----------------------|-------------------------|
| | 2016 | June 30 2015 |
| OPERATING ACTIVITIES | | |
| Net income and comprehensive income for the period | \$ 11,574 | \$ 7,889 |
| Add [deduct] items not involving a current cash outlay: | | |
| Amortization of fixed assets | 106 | 175 |
| Share-based compensation expense | 6,078 | 4,287 |
| Deferred income tax expense [recovery] | [438] | 1,060 |
| Net investment gains | [14,356] | [12,600] |
| Unrealized carried interest income and management participation | [1,399] | [922] |
| Non-cash items relating to foreign exchange forward contracts | [54] | [1,230] |
| Non-cash items relating to corporate investments | [198] | 565 |
| | 1,313 | [776] |
| Adjustments for: | | |
| Net proceeds on sale [cost on acquisition] of temporary investments | [334] | 2,016 |
| Loans advanced [Note 10[1]] | [2,763] | [11,843] |
| Receipt of loans advanced [Note 10[1]] | 3,444 | 3,671 |
| Proceeds [cost] on settlement of realized foreign exchange forward contracts | 1 | [887] |
| Acquisition of corporate investments | — | [815] |
| | 348 | [7,858] |
| Net change in non-cash working capital balances related to operations [Note 12] | [1,165] | [2,929] |
| Cash provided by [used in] operating activities | 496 | [11,563] |
| INVESTING ACTIVITIES | | |
| Purchase of fixed assets | [20] | [30] |
| Cash used in investing activities | [20] | [30] |
| FINANCING ACTIVITIES | | |
| Issuance of share capital | — | 1,032 |
| Cash provided by financing activities | — | 1,032 |
| Net increase [decrease] in cash and cash equivalents | 476 | [10,561] |
| Cash and cash equivalents, beginning of period | 65,250 | 98,644 |
| Cash and cash equivalents, end of period [Note 12] | \$ 65,726 | \$ 88,083 |
| Supplemental cash flow information | | |
| Interest received | \$ 349 | \$ 773 |
| Distributions received | \$ 1,970 | \$ 729 |
| Income taxes paid | \$ 227 | \$ 1,360 |
| Interest paid | \$ 186 | \$ 187 |

CLAIRVEST GROUP INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 [Tabular Dollar Amounts in Thousands]

[unaudited]

1. NATURE OF OPERATIONS

Clairvest Group Inc. ["Clairvest" or the "Company"] is a private equity investor that specializes in partnering with management team and other stakeholders of both emerging and established companies. The company's shares are traded on the Toronto Stock Exchange ["TSX"] under symbol CVG. The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners III Limited Partnership ["CEP III"], Clairvest Equity Partners IV Limited Partnership ["CEP IV"], Clairvest Equity Partners IV-A Limited Partnership ["CEP IV-A"], Clairvest Equity Partners V Limited Partnership ["CEP V"] and Clairvest Equity Partners V-A Limited Partnership ["CEP V-A"] [together, the "CEP Funds"] in a small number of carefully selected companies that have the potential to generate superior returns. Clairvest contributes financing and strategic expertise to support the growth and development of its investees in order to create realizable value for all shareholders. Clairvest is incorporated under the laws of the Province of Ontario.

The Company's head office is located at 22 St. Clair Avenue East, Suite 1700, Toronto, Ontario, Canada, M4T 2S3.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited interim condensed consolidated financial statements of Clairvest are prepared in accordance with International Financial Reporting Standards ["IFRS"] applicable to the preparation of interim financial statements, including International Accounting Standard 34, "*Interim Financial Reporting*" ["IAS 34"]. The Company has consistently applied the same accounting policies throughout all periods presented in these unaudited interim condensed consolidated financial statements, as if these policies had always been in effect.

The accounting policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS as issued by the International Accounting Standards Board ["IASB"] and the IFRS Interpretations Committee, all issued and effective as at August 10, 2016, the date the Board of Directors authorized the issuance of these unaudited interim condensed consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending March 31, 2017 could result in restatement of these unaudited interim condensed consolidated financial statements.

The disclosures contained in these unaudited interim condensed consolidated financial statements do not include all requirements of International Financial Reporting Standards for annual financial statements. As a result, the unaudited interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements prepared in accordance with IFRS as at and for the year ended March 31, 2016.

The unaudited interim condensed consolidated financial statements have been presented on a historical cost basis, except for certain financial instruments that have been measured at fair value. The unaudited interim condensed consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is the functional currency of the Company, and all values are rounded to the nearest thousand dollars [\$000's], except where otherwise indicated.

Basis of consolidation

These consolidated financial statements have been prepared in accordance with IFRS 10, *Consolidated Financial Statements* ["IFRS 10"], as issued by the IASB and include the accounts of the Company and its consolidated subsidiaries. As discussed under critical accounting estimates and judgments, the Company has determined it meets the definition of an investment entity.

[I] Consolidated subsidiaries

In accordance with IFRS 10, subsidiaries are those entities that provide investment-related services and that the Company controls by having the power to govern the financial and operating policies of the entity. Such entities would include those

which earn priority distributions or management fees and carried interest from the CEP Funds. All intercompany amounts and transactions amongst these consolidated entities have been eliminated upon consolidation. The existence and effect of potential voting rights that are currently exercisable and shareholder agreements are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are subsequently deconsolidated from the consolidated financial statements on the date that control ceases.

The following entities, which are significant in nature, provide investment-related services on behalf of the Company.

Clairvest GP Manageco Inc.
Clairvest GP [GPLP] Inc.
CEP MIP GP Corporation
Clairvest USA Limited
Clairvest General Partner Limited Partnership
Clairvest General Partner III Limited Partnership
Clairvest General Partner IV Limited Partnership
Clairvest General Partner V Limited Partnership
PGO Aviation LP

[II] Interests in unconsolidated subsidiaries [“acquisition entities”]

In accordance with the amendments for investment entities under IFRS 10, interests in subsidiaries other than those that provide investment-related services are accounted for at fair value through profit or loss rather than consolidating them. As discussed under critical accounting estimates and judgments, management exercised judgement when determining whether subsidiaries are investment entities.

The following entities, which are significant in nature, are controlled by Clairvest either directly or indirectly and are used as acquisition entities of the Company. These entities' principal place of business is in Canada.

2141788 Ontario Corporation [“2141788 Ontario”]
CEP III Co-Investment Limited Partnership [“CEP III Co-Invest”]
MIP III Limited Partnership [“MIP III”]
CEP IV Co-Investment Limited Partnership [“CEP IV Co-Invest”]
MIP IV Limited Partnership [“MIP IV”]
CEP V Co-Investment Limited Partnership [“CEP V Co-Invest”]
MIP V Limited Partnership [“MIP V”]
2486303 Ontario Inc. [“2486303 Ontario”]

The Company may also use intermediate subsidiaries whose sole purpose is to hold investments for the Company and therefore not included in the listing above.

[III] Interests in the CEP Funds

Clairvest manages and invests alongside the CEP Funds, which meet the definition of structured entities under IFRS. Clairvest provides loans to and earns priority distributions or management fees and carried interest from the CEP Funds, which are further described in *note 10*. The Company concluded that its ownership interest in the CEP Funds do not meet the definition of control under IFRS. Accordingly, the financial positions and operating results of the CEP Funds are not included in Clairvest's consolidated financial statements.

Significant accounting policies, new standards, interpretations and amendments

The following condensed discussion of significant accounting policies, new standards, interpretations and amendments should be read in conjunction with the disclosures presented in the audited consolidated financial statements for the year ended March 31, 2016. The Company has consistently applied the following accounting policies throughout all periods presented in these unaudited interim condensed consolidated financial statements, as if these policies had always been in effect.

(a) Classification and recognition of financial instruments

In accordance with IAS 39, *Financial Instruments: recognition and measurement*, financial assets and financial liabilities are classified at initial recognition into the following categories:

Financial assets and liabilities at fair value through profit or loss [“FVTPL”]

This category is further divided into the following:

Financial instruments classified as held for trading: Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term, and are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Derivative instruments are classified as held for trading. The Company does not apply hedge accounting to its derivative instruments.

Financial instruments designated as FVTPL through inception: Cash equivalents, temporary investments, and corporate investments are designated as FVTPL upon initial recognition. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company includes in this category receivable balances relating to its acquisition entities, indirect investee companies [“investee companies”] and the CEP Funds as well as other short-term receivables.

Other financial liabilities

This category includes all financial liabilities, other than those classified as FVTPL. The Company includes in this category amounts relating to accounts payable, accrued liabilities and loans payable.

(b) Temporary investments and corporate investments

The Company carries its temporary investment and its corporate investments at fair value. When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the closing bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at a value which takes into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, the underlying security of which is traded on a recognized securities exchange, if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For

private company warrants, the underlying security of which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

(c) Income recognition

Realized gains or losses on disposition of corporate investments and change in unrealized gains or losses in the value of corporate investments are calculated based on weighted average cost and are included in net investment gains in the consolidated statements of comprehensive income. Management fees and advisory and other fees are recorded as income on an accrual basis when earned. Distributions and interest income are recognized on an accrual basis and dividend income is recognized on the ex-dividend date. Carried interest from the CEP Funds are recognized on an accrual basis when estimated fair values of the underlying investments can be measured reliably.

(d) Stock-based compensation plan

The Company's stock option plan allows for a cash settlement of stock options. As the economics to choose cash or shares as settlement is the same for all holders, compensation expense is recognized and recorded as a liability based on the fair value of the outstanding stock options at the consolidated statements of financial position dates and the proportion of their vesting periods expected to elapse. Fair value is measured by use of an appropriate option-pricing model. In valuing the Company's stock option plan, no consideration is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees is credited to share capital. On the exercise of stock options for cash, the liability recorded is reduced and any difference between the liability accrued and the amount paid is charged to share-based compensation expense.

(e) Entitlements of partners of a limited partnership

The Company consolidates acquisition entities which includes various limited partnerships as described in *note 2[I]* and the entitlements of partners of these limited partnerships that are external to the consolidated group of the Company are recorded as a liability and an expense of the Company. Accordingly, that portion of the carried interest from the CEP Funds which are ultimately paid to the limited partners of MIP III, MIP IV and MIP V which are external to the consolidated group are recorded as a management participation liability and a management participation expense on the unaudited interim condensed consolidated financial statements.

(f) Critical accounting estimates, assumptions and judgments

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS required management to make estimates, assumptions and judgments that affect the reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates could materially differ from the related actual results. The following estimates, assumptions and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal quarter:

Determination of investment entity

Judgement is required when making the determination that the Company or its various subsidiaries meet the definition of an investment entity under IFRS. In accordance with IFRS 10, an investment entity is an entity that: "obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis." In addition, IFRS 10 clarifies that an investment entity may earn fee income from the provision of investment-related services to external parties. The Company has historically co-invested alongside third-party capital in the CEP Funds that it manages. In determining its status as an investment entity, the Company has determined that fair value is the primary measurement attribute used to monitor and evaluate its investments.

Fair value of financial instruments

Certain financial instruments are recorded in the Company's consolidated statements of financial position at values that are representative of or approximate fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price or dealer price quotations. The fair values of certain other financial instruments are determined using valuation techniques. By their nature, these valuation techniques require the use of estimates and assumptions. Changes in the underlying estimates and assumptions could materially impact the determination of the fair value of a financial instrument. Imprecision in determining fair value using valuation techniques may affect net investment gains reported in a particular period.

The Company assesses, at each reporting date, whether there is any objective evidence to revise the fair values of its financial instruments. The assessment of the fair value of a financial instrument requires significant judgment, where management evaluates, among other factors, the financial health and business outlook of their investees. Fair value information is presented in *note 16*.

Recognition of carried interest and corresponding expenses

The determination of the Company's unrealized carried interest receivable recorded on the consolidated statements of financial position is based on the fair values of the financial instruments held by the CEP Funds. As discussed previously, fair values of certain financial instruments are determined using valuation techniques and by their nature, the use of estimates and assumptions. Changes in the underlying estimates and assumptions could materially impact the determination of the fair value of these financial instruments. Imprecision in determining fair value using valuation techniques may affect the calculation of unrealized carried interest receivable and the resulting accrued liabilities for future payouts relating to these unrealized carried interest receivable at the statement of financial position dates.

Income taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. Judgment is required in determining whether deferred income tax assets should be recognized on the consolidated statements of financial position. Deferred income tax assets are recognized to the extent that the Company believes it is probable that the assets can be recovered. Furthermore, deferred income tax balances are recorded using enacted or substantively enacted future income tax rates. Changes in enacted income tax rates are not within the control of management. However, any such changes in income tax rates may result in actual income tax amounts that may differ significantly from estimates recorded in deferred tax balances.

3. CREDIT FACILITIES

Clairvest has a \$75.0 million committed credit facility with a maturity date of April 30, 2020. The credit facility bears interest at 11% per annum on drawn amounts and at 1% per annum on undrawn amounts. The amount available under the credit facility at June 30, 2016 is \$75.0 million [March 2016 – \$75.0 million]. No amounts were drawn during the quarter.

Clairvest also has a \$20.0 million credit facility available, subject to annual renewals, bearing interest at prime plus 0.5% per annum. The prime rate at June 30, 2016 was 2.70% [March 2016 – 2.70%]. The amount available under the credit facility at June 30, 2016 was \$20.0 million [March 2016 – \$20.0 million], which is based on debt covenants within the banking arrangement. No amounts were drawn during the quarter.

4. CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

Cash equivalents consist of deposits in investment and money market savings accounts which have maturities of less than 90 days from the date of acquisition. The yield ranges between 0.8% and 0.9% per annum [March 2016 – between 0.8% and 0.9%] with a weighted average rate of pre-tax return of 0.8% per annum [March 2016 – 0.9%].

Temporary investments consist of guaranteed investment certificates and corporate bonds and loans which have maturities greater than 90 days from the date of acquisition and through to August 2019. The yield on these investments ranges between 1.6% and 7.8% per annum [March 2016 – between 1.6% and 7.8%] with a weighted average rate of pre-tax return of 3.6% per annum [March 2016 – 3.6%]. The composition of Clairvest's temporary investments was as follows:

| | June 30, 2016 | | | March 31, 2016 | |
|------------------------------------|-----------------------|----------------------|----------------------|----------------------|--|
| | Due in 1 year or less | Due after 1 year | Total | Total | |
| Guaranteed investment certificates | \$ 16,085 | \$ – | \$ 16,085 | \$ 16,336 | |
| Corporate bonds and loans | – | 6,042 ^[1] | 6,042 ^[1] | 5,457 ^[1] | |
| Total | \$ 16,085 | \$ 6,042 | \$ 22,127 | \$ 21,793 | |

^[1] As at June 30, 2016, Clairvest's treasury holdings included US\$7.5 million in Light Tower Rentals Inc. corporate bonds at a fair market value of US\$4.4 million [March 2016 – US\$4.2 million] which is based on the last bid price at the balance sheet date.

Additionally, Clairvest's acquisition entities held \$40.0 million [March 2016 - \$34.9 million] in cash and cash equivalents and \$10.6 million [March 2016 - \$10.5 million] in temporary investments as described in *note 7*.

5. NET INVESTMENT GAINS

Net investment gains for the quarters ended June 30, 2016 and 2015 comprised entirely of net changes in unrealized gains on corporate investments.

6. NET CARRIED INTEREST INCOME

Net carried interest income for the quarters ended June 30, 2016 and 2015 comprised entirely of net changes in unrealized carried interest income as described in *note 10*.

7. CORPORATE INVESTMENTS

In accordance with IFRS 10, the fair value of the Company's corporate investments includes the fair value of the net assets of its acquisition entities which are controlled by the Company. Accordingly, Clairvest's direct corporate investments comprise these acquisition entities, which invest directly or indirectly in various investee companies and other investee companies where Clairvest made an investment directly.

The following table details the fair value of Clairvest's direct investments and acquisition entities which are controlled by Clairvest but which are not part of the consolidated group:

| \$000's | June 30, 2016 | | | March 31, 2016 | | |
|--|--------------------|---|----------------|--------------------|---|----------------|
| | Investee companies | Acquisition entity net assets [liabilities] | Total | Investee companies | Acquisition entity net assets [liabilities] | Total |
| Held directly by Clairvest Group Inc. | 26,749 | – | 26,749 | 26,071 | – | 26,071 |
| Held through the following acquisition entities: | | | | | | |
| 2486303 Ontario | 10,647 | [10,192] | 455 | 10,272 | [10,424] | [152] |
| 2141788 Ontario | 43,138 | 27,066 | 70,204 | 40,223 | 27,060 | 67,283 |
| CEP III Co-Invest | 23,924 | 16,480 | 40,404 | 22,152 | 16,486 | 38,638 |
| MIP III | 958 | 660 | 1,618 | 886 | 660 | 1,546 |
| CEP IV Co-Invest | 200,682 | [1,767] | 198,915 | 193,458 | [2,917] | 190,541 |
| MIP IV | 3,785 | [33] | 3,752 | 3,649 | [55] | 3,594 |
| CEP V Co-Invest | 25,469 | [1,445] | 24,024 | 25,607 | [1,563] | 24,044 |
| MIP V | 2,368 | [134] | 2,234 | 2,381 | [145] | 2,236 |
| Total | 337,720 | 30,635 | 368,355 | 324,699 | 29,102 | 353,801 |

2141788 Ontario, a limited partner of CEP III Co-Invest and CEP V Co-Invest, is a wholly-owned acquisition entity of Clairvest. Clairvest's relationship with CEP III Co-Invest and MIP III, CEP IV Co-Invest and MIP IV, and CEP V Co-Invest and MIP V are described in *notes 10[c], 10[f] and 10[i]* to the interim condensed consolidated financial statements. 2486303 Ontario is the sole limited partner of Clairvest Equity Partners Limited Partnership ["CEP"]. As described in *note 10[a]*, 2486303 Ontario also has a 50% interest in the general partner of CEP.

The following table details the assets and liabilities included in the determination of the fair value of the net assets of acquisition entities excluding the investee companies held by these acquisition entities.

| \$000's | June 30, 2016 | March 31, 2016 |
|--|---------------|----------------|
| Assets | | |
| Cash and cash equivalents | 40,018 | 34,901 |
| Temporary investments | 10,555 | 10,501 |
| Accounts receivable and other assets | 1,668 | 2,426 |
| Loans receivable | 1,335 | 3,095 |
| Income taxes recoverable | 2,213 | 2,184 |
| Derivative instruments | 5,008 | 6,165 |
| Deferred income tax asset | – | 92 |
| | 60,797 | 59,364 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 4,052 | 3,736 |
| Loans payable | 20,684 | 22,223 |
| Income taxes payable | 466 | 37 |
| Deferred income tax liability | 4,960 | 4,266 |
| | 30,162 | 30,262 |
| Net assets | 30,635 | 29,102 |

Excluding the net assets from acquisition entities summarized in the table above, the difference between the cost and the fair value of the Company's investee companies are summarized below.

| \$000's | June 30, 2016 | | | March 31, 2016 | | |
|--|---------------|---------|------------|----------------|---------|------------|
| | Fair value | Cost | Difference | Fair value | Cost | Difference |
| Investments made by CEP III Co-Invest alongside CEP III | | | | | | |
| Chilean Gaming Holdings ^[1] | 48,540 | 28,754 | 19,786 | 43,674 | 28,754 | 14,920 |
| Light Tower Rentals Inc. | – | 2,403 | [2,403] | – | 2,403 | [2,403] |
| Lyophilization Services of New England Inc. | 15,927 | 7,077 | 8,850 | 16,017 | 7,077 | 8,940 |
| Investments made by CEP IV Co-Invest alongside CEP IV | | | | | | |
| Centaur Gaming | 72,761 | 14,644 | 58,117 | 68,672 | 14,644 | 54,028 |
| Cieslok Media Inc. | 10,640 | 4,015 | 6,625 | 10,640 | 4,015 | 6,625 |
| County Waste of Virginia, LLC | 14,709 | 7,308 | 7,401 | 11,981 | 7,308 | 4,673 |
| CRS Contractors Rental Supply Limited Partnership | 22,009 | 10,573 | 11,436 | 22,009 | 10,573 | 11,436 |
| Davenport Land Investments ^[2] | 2,862 | 2,196 | 666 | 2,858 | 2,196 | 662 |
| Discovery Air Inc. | 30,706 | 32,243 | [1,537] | 30,685 | 32,243 | [1,558] |
| Momentum Aerospace Group | 5,705 | 3,838 | 1,867 | 5,600 | 3,838 | 1,762 |
| New Meadowlands Racetrack, LLC | 8,849 | 5,580 | 3,269 | 8,551 | 5,580 | 2,971 |
| Rivers Casino | 26,372 | 7,508 | 18,864 | 26,202 | 7,508 | 18,694 |
| Winters Bros. Waste Systems of CT, LLC | 9,854 | 8,053 | 1,801 | 9,907 | 8,053 | 1,854 |
| Investments made by CEP V Co-Invest alongside CEP V | | | | | | |
| Accel Entertainment Inc. | 12,578 | 12,910 | [332] | 12,646 | 12,910 | [264] |
| Digital Media Solutions, LLC | 7,944 | 8,254 | [310] | 7,987 | 8,254 | [267] |
| Winters Bros. Waste Systems of Long Island Holdings, LLC | 10,868 | 8,236 | 2,632 | 10,927 | 8,236 | 2,691 |
| Grey Eagle Casino | 14,591 | 11,017 | 3,574 | 14,076 | 11,017 | 3,059 |
| Wellington Financial ^[3] | 21,497 | 14,631 | 6,866 | 20,852 | 14,631 | 6,221 |
| | 336,412 | 189,240 | 147,172 | 323,284 | 189,240 | 134,044 |
| Other investments | 1,308 | 1,297 | 11 | 1,415 | 1,486 | [71] |
| | 337,720 | 190,537 | 147,183 | 324,699 | 190,726 | 133,973 |

^[1] Comprised Clairvest's indirect investment in Casino Marina del Sol, Casino Osorno and Casino Sol Calama

^[2] Comprised two entities holding real estate surrounding a casino in Davenport, Iowa ["Davenport North" and "Davenport South"].

^[3] Comprised interests in WF Fund III Limited Partnership ["Wellington Fund III"], WF Fund IV Limited Partnership ["Wellington Fund IV"] and WF Fund V Limited Partnership ["Wellington Fund V"] and their respective general partners.

The cost and fair value of investee companies do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as economic hedges against these investments [refer to *note 13*]. For those investments which are hedged by acquisition entities, the fair value of these foreign exchange forward contracts was included in the net assets [liabilities] of these acquisition entities.

8. FIXED ASSETS

The composition of Clairvest's fixed assets was as follows:

| \$000's | Aircraft | IT equipment ^[1] | Furniture, fixtures and equipment | Leasehold improvements | Total |
|-----------------------------|--------------|-----------------------------|---|---------------------------|--------------|
| As at June 30, 2016 | | | | | |
| Cost | 3,603 | 801 | 460 | 2,605 | 7,469 |
| Accumulated amortization | [2,093] | [751] | [384] | [2,467] | [5,695] |
| Net book amount | 1,510 | 50 | 76 | 138 | 1,774 |
| As at March 31, 2016 | | | | | |
| Cost | 3,603 | 801 | 460 | 2,585 | 7,449 |
| Accumulated amortization | [2,004] | [749] | [377] | [2,459] | [5,589] |
| Net book amount | 1,599 | 52 | 83 | 126 | 1,860 |

^[1] Comprised computer equipment and computer software.

9. SHARE CAPITAL

At June 30, 2016, 15,214,095 [March 2016 – 15,214,095] common shares were outstanding. The Company has a normal course issuer bid enabling it to make purchases of up to 760,704 common shares in the 12-month period ending March 6, 2017. No shares were purchased for cancellation during the first quarter of fiscal 2017. In total, 3,429,895 common shares at a cost of \$35.3 million have been purchased under all previous normal course issuer bids as at June 30, 2016. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation outside of the normal course issuer bid.

During the quarter, the Board of Directors of the Company authorized by resolution Non-Voting Series 2 Shares [“Non-Voting Shares”] which have a two times preference over the common shares. The Non-Voting Shares were authorized as part of the new stock option program as described in *note 11*. No Non-Voting Shares have been issued as at June 30, 2016.

10. RELATED PARTY TRANSACTIONS

- (a) The general partner of CEP, an entity which is controlled by Clairvest, is entitled to participate in distributions made by CEP equal to 20% of all net gains [a “20% carried interest”] of CEP as governed by its limited partnership agreement. Effective December 21, 2015, 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to 2486303 Ontario. No amounts were declared by CEP to its general partner during the quarter ended June 30, 2016.
- (b) As general partner of CEP III, Clairvest is entitled to a priority distribution from CEP III. Effective January 13, 2011, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of fees earned by Clairvest from corporate investments of CEP III. During the first quarter of fiscal 2017, CEP III declared to Clairvest priority distributions of \$0.2 million [2016 – \$0.4 million]. As per the Limited Partnership Agreement, fees of \$0.1 million [2016 – \$0.1 million] from corporate investments of CEP III were netted against the priority distributions.

The general partners of CEP III [“CEP III GPs”] are entitled to a 20% carried interest in respect of CEP III as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP III, the general partner of which is Clairvest and the limited partners of which are principals and employees of Clairvest. The limited partners of MIP III have purchased, at fair market value, units of the MIP III. From time to time, additional units in MIP III may be purchased by the limited partners of MIP III. As at June 30, 2016, CEP III had declared and paid distributions to CEP III GPs totaling \$38.7 million [March 2016 – \$38.7 million], 50% of which, or \$19.4 million [March 2016 – \$19.4 million], was ultimately paid to Clairvest and the

other 50% or \$19.4 million [March 2016 – \$19.4 million] was ultimately paid to the limited partners of MIP III. No amounts were declared by CEP III to its general partners during the quarter ended June 30, 2016.

- (c) As described in *note 14[a]*, Clairvest is required to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest was established in fiscal 2007 as the investment vehicle for this purpose. CEP III Co-Invest has three limited partners, Clairvest, 2141788 Ontario and MIP III. MIP III has invested \$1.1 million in CEP III Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP III Co-Invest via the general partner of CEP III Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$0.2 million in carried interest received by MIP III, and the remaining carried interest are the entitlements of the limited partners of MIP III. As at June 30, 2016, CEP III Co-Invest had paid distributions to MIP III totaling \$4.8 million [March 2016 – \$4.8 million] with respect to this carried interest entitlement. No amounts were paid by CEP III Co-Invest to MIP III during the quarter ended June 30, 2016.

Clairvest, as the general partner of MIP III, is also entitled to participate in distributions equal to the realizable value on the \$1.1 million invested by MIP III in CEP III Co-Invest. As at June 30, 2016, \$1.9 million [March 2016 – \$1.9 million] has been received by Clairvest. No amounts were received by Clairvest during the quarter ended June 30, 2016.

- (d) As general partner of CEP IV, Clairvest is entitled to a priority distribution from CEP IV. Effective January 14, 2016, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by Clairvest from corporate investments of CEP IV. During the first quarter of fiscal 2017, CEP IV declared to Clairvest priority distributions of \$0.7 million [2016 – \$1.4 million]. As per the Limited Partnership Agreement, fees of \$0.2 million [2016 – \$0.1 million] from corporate investments of CEP IV were netted against the priority distributions.

The general partners of CEP IV [“CEP IV GPs”] are entitled to a 20% carried interest in respect of CEP IV as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP IV, the general partner of which is Clairvest and the limited partners of which are principals and employees of Clairvest. The limited partners of MIP IV have purchased, at fair market value, units of the MIP IV. From time to time, additional units in MIP IV may be purchased by the limited partners of MIP IV. No carried interest has been declared and paid by CEP IV to CEP IV GPs as at June 30, 2016.

- (e) As manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. Effective January 14, 2016, the management fee is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by Clairvest from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement. During the first quarter of fiscal 2017, Clairvest earned management fees of \$0.1 million [2016 – \$0.2 million] as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, \$25 thousand [2016 – \$21 thousand] was netted against the management fees.

The general partner of CEP IV-A [“CEP IV-A GP”], an entity which is controlled by Clairvest, is entitled to a 20% carried interest in respect of CEP IV-A as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP IV. No carried interest has been declared and paid by CEP IV-A to CEP IV-A GP as at June 30, 2016.

- (f) As described in *note 14[b]*, Clairvest is required to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle for this purpose. CEP IV Co-Invest has two limited partners, Clairvest and MIP IV. MIP IV has invested \$1.6 million in CEP IV Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP IV Co-Invest via the general partner of CEP IV Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$0.4 million in carried interest received by MIP IV, and the remaining carried interest are the entitlements of the limited partners of MIP IV. No carried interest has been declared and paid by CEP IV Co-Invest as at June 30, 2016.

Clairvest, as general partner of MIP IV, is also entitled to participate in distributions equal to the realizable value on the \$1.6 million invested by MIP IV in CEP IV Co-Invest. No amounts have been received by Clairvest at June 30, 2016.

- (g) As general partner of CEP V, Clairvest is entitled to a priority distribution from CEP V. The priority distribution is calculated monthly as follows: from January 14, 2016 to January 13, 2021, 0.1667% of committed capital, and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 58.8% of any fees earned by Clairvest from corporate investments of CEP V. During the first quarter of fiscal 2017, CEP V declared to Clairvest priority distributions of \$1.7 million [2016 – \$0.1 million]. As per the Limited Partnership Agreement, fees of \$25 thousand from corporate investments of CEP V were netted against the priority distributions.

The general partners of CEP V [“CEP V GPs”] are entitled to a 20% carried interest in respect of CEP V as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP V, the general partner of which is Clairvest and the limited partners of which are principals and employees of Clairvest. The limited partners of MIP V have purchased, at fair market value, units of the MIP V. From time to time, additional units in MIP V may be purchased by the limited partners of MIP V. No carried interest has been declared and paid by CEP V to CEP V GPs as at June 30, 2016.

- (h) As manager of CEP V-A, Clairvest is entitled to a management fee from CEP V-A. The management fee is calculated monthly as follows: from January 14, 2016 to January 13, 2021, 0.1667% of committed capital, and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 11.2% of fees earned by Clairvest from corporate investments of CEP V-A and other amounts as provided in the Limited Partnership Agreement. During the first quarter of fiscal 2017, Clairvest earned management fees of \$0.2 million [2016 – \$18 thousand] as compensation for its services in the administration of the portfolio of CEP V-A. As per the Limited Partnership Agreement, \$80 thousand was netted against the management fees.

The general partner of CEP V-A [“CEP V-A GP”], an entity which is controlled by Clairvest, is entitled to a 20% carried interest in respect of CEP V-A as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP V. No carried interest has been declared and paid by CEP V-A to CEP V-A GP as at June 30, 2016.

- (i) As described in *note 14[c]*, Clairvest is required to co-invest alongside CEP V and CEP V-A in all investments undertaken by CEP V and CEP V-A. CEP V Co-Invest was established in fiscal 2015 as an investment vehicle for this purpose. CEP V Co-Invest has three limited partners, Clairvest, 2141788 Ontario and MIP V. MIP V has committed to invest \$2.4 million in CEP V Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP V Co-Invest via the general partner of CEP V Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$1.4 million in carried interest received by MIP V, and the remaining carried interest are the entitlements of the limited partners of MIP V. No carried interest has been declared and paid by CEP V Co-Invest as at June 30, 2016.

Clairvest, as the general partner of MIP V, is also entitled to participate in distributions equal to the realizable value on the \$2.4 million invested by MIP V in CEP V Co-Invest. No amounts have been received by Clairvest as at June 30, 2016.

- (j) As at June 30, 2016, if CEP and the CEP Funds were to sell all of their corporate investments at their current fair values, the respective general partners would receive the following in carried interest from CEP and the CEP Funds. As described in *note 2[e]*, Clairvest has recorded these as carried interest receivable on the consolidated statements of financial position.

| \$000's | June 30, 2016 | March 31, 2016 |
|--------------------|---------------|----------------|
| CEP ⁽¹⁾ | 2,614 | 2,377 |
| CEP III | 18,783 | 17,938 |
| CEP IV | 39,474 | 36,212 |
| CEP IV-A | 7,854 | 7,482 |
| CEP V | – | – |
| CEP V-A | – | – |
| | <u>68,725</u> | <u>64,009</u> |

⁽¹⁾ A corresponding \$1.3 million in payable to 2486303 Ontario has been recorded to reflect the carried interest entitled by 2486303 Ontario as described in *note 10[a]*.

- (k) If the CEP Funds were to sell all of their corporate investments, CEP III Co-Invest, CEP IV Co-Invest and CEP V Co-Invest [the “CEP Co-Invest Partnerships”] would be required to sell all of their corporate investments at their current fair values and as such, MIP III, MIP IV and MIP V would receive carried interest based on the terms previously described. The following details the carried interest entitlements from the CEP Funds and the CEP Co-Invest Partnerships that will be ultimately paid to non-Clairvest participants, which are recorded as a management participation liability on the consolidated statements of financial position.

| \$000's | June 30, 2016 | March 31, 2016 |
|----------------------------------|---------------|----------------|
| CEP III | 9,392 | 8,969 |
| CEP IV | 19,737 | 18,106 |
| CEP IV-A | 3,927 | 3,741 |
| CEP V | – | – |
| CEP V-A | – | – |
| | 33,056 | 30,816 |
| CEP III Co-Invest ^[1] | 4,839 | 4,467 |
| CEP IV Co-Invest ^[1] | 9,399 | 8,694 |
| CEP V Co-Invest ^[1] | – | – |
| | 47,294 | 43,977 |

^[1] Represents the entitlements of the limited partners of MIP III, MIP IV and MIP V respectively as described in notes 10[c], 10[f] and 10[i].

- (l) Changes in loans receivable for the quarter ended June 30, 2016 were as follows:

| \$000's | April 1, 2016 | Loans advanced | Loans repaid | June 30, 2016 |
|---|---------------|----------------|----------------|---------------|
| CEP IV ^[1] | 5,008 | 98 | [1,864] | 3,242 |
| CEP IV Co-Invest ^[2] | 10,780 | 41 | [1,386] | 9,435 |
| CEP V Co-Invest ^[2] | 542 | – | [194] | 348 |
| 2486303 Ontario ^[3] | 10,901 | – | – | 10,901 |
| | 27,231 | 139 | [3,444] | 23,926 |
| Clairvest investee companies ^[4] | 3,307 | 2,624 | – | 5,931 |
| Other | 25 | – | – | 25 |
| Net book amount | 30,563 | 2,763 | [3,444] | 29,882 |

^[1] Loans advanced to CEP IV bear interest at the Reference Rate in accordance with the limited partnership agreement. Interest of \$0.1 million [2016 – \$0.1 million] was earned from loans advanced to CEP IV during the first quarter of fiscal 2017. Subsequent to quarter end, the remaining loans were repaid in full.

^[2] Loans advanced to these acquisition entities are non-interest bearing loans. Subsequent to quarter end, an additional \$2.5 million of these loans were repaid.

^[3] Loans advanced to 2486303 Ontario bear interest at 10.0% per annum. Interest of \$0.3 million [2016 – nil] was earned from these loans during the first quarter of fiscal 2017.

^[4] Comprised loans advanced to Discovery Air Inc. and a Canadian subsidiary of Momentum Aerospace Group [“MAG Canada”]. During the first quarter of fiscal 2017, additional loans of US\$1.6 million [C\$2.0 million] and \$0.6 million were advanced to MAG Canada. Interest of \$0.1 million [2016 – \$0.1 million] was earned from loans advanced to Clairvest’s investee companies during the first quarter of fiscal 2017.

- (m) Included in accounts receivable and other assets at June 30, 2016 were share purchase loans made to certain officers of the Company totaling \$2.2 million [March 2016 – \$2.3 million]. The share purchase loans bear interest which is paid annually, have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of \$3.0 million [March 2016 – \$2.9 million]. None of these loans were made to key management. Also included in accounts receivable and other assets were other loans made to certain officers of a company affiliated with Clairvest totaling \$0.9 million [March 2016 – \$0.9 million]. The loans to officers of the affiliated company bear interest which is paid quarterly. Loans are repayable upon departure of the officer. Interest of \$16 thousand [2016 – \$15 thousand] was earned on the loans during the first quarter of fiscal 2017.

| | June 30, 2016 | March 31, 2016 |
|--|--------------------------|-------------------|
| Clairvest's investee companies | 1,722 | 1,644 |
| CEP III | – | 432 |
| CEP IV | 13,861 | 12,942 |
| CEP IV-A | 52 | 109 |
| CEP V | 7,029 | 4,984 |
| CEP V-A | 1,397 | 988 |
| | 24,061 | 21,099 |
| Other accounts receivables and prepaid expenses | 3,606 | 3,159 |
| Share purchase loans and loans to officers of affiliated company | 3,096 | 3,188 |
| | 30,763 | 27,446 |

Additionally, acquisition entities which were not consolidated by the Company as described in *note 7* held receivables from CEP III totaling \$5 thousand [March 2016 – \$1 thousand], from CEP IV totaling \$0.5 million [March 2016 – \$0.5 million], from CEP V totaling \$0.2 million [March 2016 – \$0.1 million] and from Clairvest's investee companies totaling \$0.9 million [March 2016 – \$1.7 million].

- (n) During the first quarter of fiscal 2017, Clairvest earned \$1.5 million [2016 – \$0.8 million] in distributions and interest income and \$0.4 million [2016 – \$0.3 million] in advisory and other fees from its investee companies. Additionally, acquisition entities which were not consolidated by the Company as described in *note 7* earned \$2.5 million [2016 – \$2.1 million] in distributions and interest income, \$1.2 million [2016 – \$0.1 million] in dividend income and \$0.1 million [2016 – \$0.1 million] in advisory and other fees from its investee companies.
- (o) Clairvest has a 50% ownership in an aircraft where the other 50% ownership is held by a related party of Clairvest. Clairvest receives 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses. The related party has the right to sell its portion of the ownership of the aircraft to Clairvest at the fair market value determined at the time of sale. Accordingly, Clairvest has recognized 100% of the net book value of the aircraft and a liability for the 50% ownership the Company does not own.

11. SHARE-BASED COMPENSATION AND OTHER COMPENSATION PLANS

During the first quarter of fiscal 2017, the Company adopted a new stock option plan [the “Non-Voting Option Plan”]. Options granted under the Non-Voting Option Plan will be exercisable for Non-Voting Shares as described in *note 9*. Subsequent to the adoption of the Non-Voting Option Plan, Clairvest granted 203,353 options under this plan. The Non-Voting Option Plan has a cash settlement feature. Options granted under this plan vest at a rate of one-fifth of the grant at the end of each year over a 5-year period. As at June 30, 2016, a total of 203,353 options were outstanding under Clairvest's Non-Voting Option Plan, none of which have vested.

Clairvest recognizes stock-based compensation expense based upon the fair value of the outstanding stock options at June 30, 2016 using Black-Scholes option pricing model with the following assumptions:

As at June 30, 2016

| | |
|--|----------------------|
| Grant | June 30, 2016 |
| # options granted | 203,353 |
| # of options vested | – |
| Option price ^[1] | 57.44 |
| Black-Scholes assumptions used | |
| Expected volatility | 10% |
| Expected forfeiture rate ^[2] | 0% |
| Expected dividend yield | 1.00% |
| Risk-free interest rate | 0.00% |
| Expected life [years] | 5.0 |
| Value using Black-Scholes [\$'000s]^[3] | 1,062 |

^[1] Based on two times the 5-day weighted average closing price of Clairvest common shares at June 30, 2016 [\$28.72 per share]. The option price is adjusted for any special dividends paid by the Company.

^[2] Assumed a 0% forfeiture rate as a result of a cash settlement feature in Clairvest's stock option plan and historical forfeiture rates of individuals included in the previous stock option plan.

^[3] Share prices for Clairvest common shares at June 30, 2016 were \$29.12 per share [TSX: CVG].

As at June 30, 2016, \$1.1 million [March 2016 – nil] has been accrued under the Company’s Non-Voting Option Plan. For the quarter ended June 30, 2016, Clairvest recognized a stock-based compensation expense of \$1.1 million.

Also during the quarter, the Board of Directors of the Company approved an Employee Deferred Share Units [“EDSU”] Plan. The EDSU Plan provides, among other things, that participants may elect to receive all or a portion of their bonus amounts that would otherwise be payable in cash in the form of EDSUs. EDSUs may be redeemed for cash or for common shares of the Company in accordance with the terms of the plan. The EDSU Plan is subject to shareholder’s approval by ordinary resolution. Clairvest is required to reserve one common share for each EDSU issued under the EDSU Plan. The maximum number of Clairvest common shares reserved for the EDSU Plan is 200,000 which represents approximately 1.3% of the outstanding number of common shares. For the quarter ended June 30, 2016, the Company received elections from participants which elected to receive in aggregate \$0.5 million of their bonus amounts in the form of EDSUs. Subsequent to quarter end, 18,445 EDSUs were issued based on the terms and conditions of the EDSU Plan.

As at June 30, 2016, a total of 254,876 [March 2016 – 243,402] DSUs were held by directors of the Company, the accrual in respect of which was \$7.6 million [March 2016 – \$6.9 million] and has been included in share-based compensation liability. For the quarter ended June 30, 2016, Clairvest recognized an expense of \$0.7 million with respect to DSUs.

As at June 30, 2016, a total of 120,000 [March 2016 – 120,000] Appreciation Deferred Share Units [“ADSUs”] were held by directors of the Company, the accrual in respect of which was \$1.8 million [March 2016 – \$1.6 million] and has been included in share-based compensation liability. For the quarter ended June 30, 2016, Clairvest recognized an expense of \$0.2 million with respect to ADSUs.

During the quarter, 312,128 Book Value Appreciation Rights Units [“BVARs”] were exercised by employees and directors of Clairvest for total payment of \$6.3 million, the amount of which was included in share-based compensation liability at June 30, 2016 and was paid subsequent to quarter end. As at June 30, 2016, a total of 856,081 [March 2016 – 1,119,348] Book Value Appreciation Rights Units [“BVARs”] were held by employees of Clairvest, the accrual in respect of which was \$6.4 million [March 2016 – \$8.5 million] and has been included in share-based compensation liability, and a further \$3.6 million [March 2016 - \$5.7 million] not accrued as those BVARs have not vested. For the quarter ended June 30, 2016, Clairvest recognized an expense of \$4.2 million with respect to BVARs.

Compensation paid and payable to key management

Key management at Clairvest are the Co-Chief Executive Officers [“Co-CEOs”] and its directors. The Co-CEOs are entitled to annual discretionary cash bonuses of up to 175% of their individual annual salary based on individual performance. There is also an annual objective cash bonus which is based on Clairvest’s Incentive Bonus Program as described in *note 14[h]*, the Non-Voting Option Plan, the BVAR plan and the EDSU plan. Aggregate compensation paid for the quarters ended June 30 to the Co-CEOs was as follows:

| [\$'000s] | 2016 | 2015 |
|---------------------------------------|------|-------|
| Paid: | | |
| Salaries | 163 | 163 |
| Annual incentive plans ^[1] | 143 | 143 |
| Stock options | – | 4,139 |
| | 306 | 4,455 |

^[1] Includes quarterly payments from annual incentive plan of up to 21.875% of their respective annual base salary.

Compensation payable at the statement of financial position dates were as follows:

| [\$'000s] | June 30, 2016 | March 31, 2016 |
|--------------------------------|---------------|----------------|
| Payable: | | |
| Annual incentive plans | 2,463 | 2,261 |
| Stock options | 126 | – |
| Book value appreciation rights | 1,724 | 1,100 |
| | 4,313 | 3,361 |

In addition to the DSU and ADSU plans previously discussed, compensation payable to the directors of Clairvest included \$0.2 million [March 2016 – nil] under the Non-Voting Option Plan and \$1.8 million [March 2016 – \$1.3 million] under the BVAR plan.

12. CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in non-cash working capital balances related to operations for the quarters ended June 30 are detailed as follows:

| [S'000s] | 2016 | 2015 |
|--|----------------|----------------|
| Accounts receivable and other assets | [3,317] | [4,092] |
| Income taxes receivable | 469 | [1,310] |
| Accounts payable and accrued liabilities | 352 | 1,699 |
| Income taxes payable | 5 | [13] |
| Accrued compensation expense | 1,326 | 787 |
| | <u>[1,165]</u> | <u>[2,929]</u> |

Cash and cash equivalents at the statement of financial position dates comprised the following:

| [S'000s] | June 30, 2016 | March 31, 2016 |
|------------------|---------------|----------------|
| Cash | 3,092 | 2,704 |
| Cash equivalents | 62,634 | 62,546 |
| | <u>65,726</u> | <u>65,250</u> |

13. DERIVATIVE INSTRUMENTS

The Company and its acquisition entities entered into foreign exchange forward contracts as economic hedges against the fair value of its foreign-denominated investments and loans unless a specific exemption is approved by the Board of Directors. During the first quarter of fiscal 2017, the Company received net proceeds of \$1 thousand [2016 – paid \$0.9 million] on the settlement of realized foreign exchange forward contracts.

As at June 30, 2016, the Company had entered into foreign exchange forward contracts as hedges against its direct foreign-denominated investments and loans as follows:

Foreign exchange forward contracts to sell US\$8.6 million [March 2016 – US\$7.6 million] at an average rate of Canadian \$1.3656 per U.S. dollar [March 2016 – \$1.3751] through to August 2016. The fair value of the forward contracts at June 30, 2016 is a gain of \$0.6 million [March 2016 – 0.6 million].

Additionally, acquisition entities of Clairvest had entered into foreign exchange forward contracts as hedged against its foreign-denominated investments as follows:

Foreign exchange forward contracts to sell US\$140.6 million [March 2016 – US\$133.1 million] at an average rate of Canadian \$1.3271 per U.S. dollar [March 2016 – \$1.3451] through to June 2017. The fair value of the forward contracts at June 30, 2016 is a gain of \$5.0 million [March 2016 – \$6.2 million].

The fair value of these foreign exchange forward contracts held by acquisition entities has been included in the fair value of these acquisition entities on the consolidated statements of financial position.

14. CONTINGENCIES, COMMITMENTS AND GUARANTEES

- (a) CEP III Co-Invest has committed to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest's co-investment commitment is \$75.0 million, \$15.2 million [March 2016 – \$15.2 million] of which remains unfunded at June 30, 2016. In accordance with the co-investment agreement, the proportion of the commitment amongst Clairvest, 2141788 Ontario and MIP III is at their own discretion. CEP III Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.
- (b) CEP IV Co-Invest has committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest's co-investment commitment is \$125.0 million, \$28.4 million [March 2016 – \$28.4 million] of which remained unfunded at June 30, 2016. In accordance with the co-investment agreement, the proportion of the commitment between Clairvest and MIP IV is at their own discretion. CEP IV Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

- (c) CEP V Co-Invest has committed to co-invest alongside CEP V and CEP V-A in all investments undertaken by CEP V and CEP V-A. CEP V Co-Invest's co-investment commitment is \$180 million, \$146.7 million [March 2016 – \$146.7 million] of which remained unfunded at June 30, 2016. In accordance with the co-investment agreement, the proportion of the commitment amongst Clairvest, 2141788 Ontario and MIP V is at their own discretion. CEP V Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP V and CEP V-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP V and CEP V-A.
- (d) Clairvest has committed \$25.2 million to Wellington Fund IV, all of which became unfunded upon a 100% return of capital during fiscal 2016. As specified in the Limited Partnership Agreement, upon the closing of Wellington Fund V, Wellington Fund IV may no longer invest in new investments.
- (e) Clairvest has also committed \$30.3 million to Wellington Fund V, \$15.7 million of which remained unfunded at June 30, 2016.
- (f) As at June 30, 2016, Clairvest has received profit distributions totaling \$0.1 million [March 2016 – nil] through its ownership interest in the General Partner of Wellington Fund V. Clairvest has guaranteed up to amounts received in the event the limited partners of Wellington Fund V do not meet their return threshold as specified in the respective Limited Partnership Agreements.
- (g) Clairvest had guaranteed up to US\$10.0 million of CEP III's obligations to a Schedule 1 Canadian chartered bank under CEP III's foreign exchange forward contracts with the bank.
- (h) Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable [the "Realized Amount"]. As at June 30, 2016, the Realized Amount under the Bonus Program was \$0.8 million [March 2016 – \$0.6 million] and has been accrued under accrued compensation expense liability, \$0.6 million of which was paid subsequent to quarter end. In accordance with IFRS, Clairvest is also required to record a liability equal to a bonus of 10% of the after-tax cash income and realizations which are applicable but which have yet to be realized. Accordingly, Clairvest also recorded a \$4.0 million [March 2016 – \$3.5 million] accrued compensation expense liability that would only be payable to management when the corresponding realization events have occurred. The Bonus Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest, CEP IV Co-Invest and CEP V Co-Invest.
- (i) In conjunction with the sale of Casino New Brunswick, Clairvest agreed to a net guarantee of \$13.5 million to fund any valid claims made by the purchaser under the indemnity provisions of the sale for a specified period of time. Any funding pursuant to the guarantee will be allocated 25% to CEP III Co-Invest and 75% to CEP III. As at June 30, 2016 and March 31, 2016, no amounts with respect to this guarantee has been funded.
- (j) As part of the holding structure of Chilean Gaming Holdings, an acquisition entity of CEP III Co-Invest had loans totaling \$41.9 million at June 30, 2016 [March 2016 – \$41.9 million] from an unrelated financial institution, while another acquisition entity of CEP III Co-Invest held term deposits totaling \$41.9 million at June 30, 2016 [March 2016 – \$41.9 million] with the same financial institution as security for these loans. CEP III Co-Invest's ownership of both acquisition entities was 36.8% at June 30, 2016 and March 31, 2016.
- (k) Clairvest has agreed to guarantee up to \$10.0 million to support Discovery Air's credit facility with its bank. The guarantee is callable by the lender under certain circumstances and should it be called, Clairvest will assume the lender's security position that supports the loans provided by the lender. Clairvest intends to allocate any amounts called under this guarantee to CEP IV Co-Invest, CEP IV and CEP IV-A on a pro-rata basis in accordance with their respective capital commitments in CEP IV. As at June 30, 2016 and March 31, 2016, the total contingent exposure under this guarantee is \$7.4 million, \$2.0 million of which would be assumed by CEP IV Co-Invest if called. Any additional guarantee is subject to Clairvest's consent at its sole discretion.
- (l) CEP IV Co-Invest has committed to advance up to \$3.8 million to Discovery Air in the form of a secured revolving credit facility, \$3.2 million of which may be drawn upon request and the remaining \$0.6 million is subject to CEP IV Co-Invest's consent. As at June 30, 2016, \$2.2 million of this facility has been drawn.

- (m) As at June 30, 2016, the Company had future minimum annual lease payments under non-cancellable operating leases for the use of office space of \$0.4 million [March 2016 – \$0.4 million] due within one year and \$1.2 million due after one year but not more than five years [March 2016 – \$1.3 million].
- (n) In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

15. RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the quarter ended June 30, 2016, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure at June 30, 2016 and March 31, 2016, net of any allowances for losses, were as follows:

| [\$'000s] | June 30 2016 | March 31 2016 |
|--------------------------------------|-----------------|------------------|
| Financial Assets | | |
| Cash and cash equivalents | 65,726 | 65,250 |
| Temporary investments | 22,127 | 21,793 |
| Accounts receivable ^[1] | 27,238 | 24,287 |
| Loans receivable ^[2] | 9,198 | 8,340 |
| Derivative instruments | 634 | 581 |
| Corporate investments ^[3] | 337,720 | 324,699 |
| | 462,643 | 444,950 |

[1] Excludes prepaid expenses and receivables from acquisition entities

[2] Excludes loans receivable from acquisition entities

[3] Excludes net assets [liabilities] from acquisition entities

The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivables and loan receivables, a significant portion of which is with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies, by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages counterparty credit risk on derivative instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks. As at March 31, 2016, the Company's derivative instruments have a fair value of \$0.6 million. Additionally, the Company's acquisition entities held derivative instruments with fair value of \$5.0 million as at June 30, 2016. The Company believes the counterparty risk with respect to its and its acquisition entities' derivative instruments is nominal.

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly. The credit ratings, based on the Dominion Bond Rating Services rating

scale, with the exception of corporate bonds and loans which are based on Standard and Poor's rating scale, for the Company's treasury funds were as follows:

| [S'000s] | June 30 2016 | March 31 2016 |
|---|-----------------|------------------|
| Cash | 3,092 | 2,704 |
| Money market savings accounts | | |
| R1-High | 38,725 | 39,023 |
| Guaranteed investment certificates and investment savings accounts | | |
| AA | 36,804 | 36,683 |
| A+ | 2,583 | 2,570 |
| A | 203 | 202 |
| BBB+ ^[1] | 101 | 101 |
| BBB ^[1] | 101 | 101 |
| BBB- ^[1] | 101 | 101 |
| Not rated ^[1] | 101 | 101 |
| Corporate bonds and loans | | |
| B- ^[2] | — | 5,457 |
| CCC+ ^[2] | 6,042 | — |
| Total cash, cash equivalents and temporary investments | 87,853 | 87,043 |

⁽¹⁾ Principal protected by the Canada Deposit Insurance Corporation.

⁽²⁾ Pertains to Clairvest's treasury investment in Light Tower Rentals as described in note 4.

Market risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates.

Fluctuations in market interest rates affect the Company's income derived from its treasury funds. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on its treasury funds by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1% per annum, the potential effect would be an increase or decrease of \$0.2 million to distributions and interest income on a pre-tax basis for the quarter ended June 30, 2016.

The Company's investee companies are diversified across 18 companies in 8 industries and 3 countries as at June 30, 2016. Concentration risk by industry and by country, was as follows:

| [S'000s] | June 30, 2016 | | | | March 31, 2016 | | | |
|------------------------|----------------|----------------|---------------|----------------|----------------|----------------|---------------|----------------|
| | Canada | United States | Chile | Fair value | Canada | United States | Chile | Fair value |
| Contract manufacturing | — | 15,927 | — | 15,927 | — | 16,017 | — | 16,017 |
| Defense services | 15,353 | 5,705 | — | 21,058 | 15,343 | 5,600 | — | 20,943 |
| Equipment rental | 22,009 | — | — | 22,009 | 22,009 | — | — | 22,009 |
| Financial services | 21,497 | — | — | 21,497 | 20,852 | — | — | 20,852 |
| Gaming | 14,591 | 120,560 | 48,540 | 183,691 | 14,076 | 116,071 | 43,674 | 173,821 |
| Marketing services | 10,640 | 7,944 | — | 18,584 | 10,640 | 7,987 | — | 18,627 |
| Specialty aviation | 15,353 | — | — | 15,353 | 15,342 | — | — | 15,342 |
| Waste management | — | 35,431 | — | 35,431 | — | 32,815 | — | 32,815 |
| Other | 1,308 | 2,862 | — | 4,170 | 1,415 | 2,858 | — | 4,273 |
| Total | 100,751 | 188,429 | 48,540 | 337,720 | 99,677 | 181,348 | 43,674 | 324,699 |

The Company has considered current economic events and indicators in the valuation of these investee companies.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. The Company has also advanced loans to investee companies which are denominated in foreign currency. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest and its acquisition entities enter into hedging positions against these foreign denominated currencies as approved by the Board of Directors. During the first quarter of fiscal 2017, the Company's acquisition entities settled all foreign exchange forward contracts to sell the Chilean Pesos ["CLP"] as approved by the Board of Directors. As a result, at June 30, 2016, the Company has foreign currency exposure to the CLP totaling \$48.5 million.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's fair value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of subordinated debentures. Significant fluctuations in market interest rates can have a significant impact on the fair value of these investments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Accounts payable, loans payable, and derivative instruments have maturities of less than one year. Management participation liability, share-based compensation liability, and amounts accrued under the Bonus Program are only due upon cash realization or completion of the respective vesting period. Total unfunded commitments to co-invest alongside the CEP Funds, as described in *note 14* were \$190.3 million as at June 30, 2016 [March 2016 – \$190.3 million]. The timing of any amounts to be funded under these commitments is dependent upon the timing of investment acquisitions, which are made at the sole discretion of the Company. In addition to its commitments to co-invest alongside the CEP Funds, the Company has unfunded commitments of \$25.2 million and \$15.7 million to Wellington Fund IV and Wellington Fund V respectively.

The Company manages liquidity risk by maintaining a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its treasury funds in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

As at June 30, 2016, Clairvest had treasury funds of \$87.9 million [March 2016 – \$87.0 million] and access to \$95.0 million [March 2016 - \$95.0 million] through its credit facilities to support its current and anticipated corporate investments. Clairvest also has access to \$50.6 million [March 2016 - \$45.4 million] in treasury funds held by its acquisition entities.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, cash equivalents, temporary investments, corporate investments, and derivative instruments are carried at fair value in accordance with the Company's accounting policy as described in *note 2* to the consolidated financial statements. All other financial instruments, including receivables and payables, are short-term in nature.

[a] Fair value hierarchy

The Company classifies financial instruments measured at fair value through profit or loss according to the following hierarchy, based on the lowest level of significant input used in measuring fair value.

| Level | Fair value input description | Financial instruments |
|--------------|---|---|
| Level 1 | Quoted prices [unadjusted] from active markets | Quoted equity instruments Quoted corporate bonds Money market and investment savings accounts |
| Level 2 | Inputs other than quoted prices included in Level 1 that are observable either directly [i.e. as prices] or indirectly [i.e. derived from prices] | Quoted equity instruments which are not actively traded [i.e. significant ownership positions] Guaranteed investment certificates Quoted corporate bonds or loans which are not actively traded |
| Level 3 | Inputs that are not based on observable market data | Unquoted equity instruments or partnership units Corporate bonds, debentures or loans not traded |

The following table details the financial instruments measured at fair value classified by the fair value hierarchy:

| [\$'000s] | June 30, 2016 | | | | March 31, 2016 |
|------------------------------------|-------------------------------|---------------|----------------|--|--|
| | Fair value measurements using | | | Assets / liabilities at fair value | Assets / liabilities at fair value |
| | Level 1 | Level 2 | Level 3 | | |
| Financial assets | | | | | |
| Cash equivalents | | | | | |
| Investment savings accounts | 38,725 | — | — | 38,725 | 39,023 |
| Money market savings accounts | 23,909 | — | — | 23,909 | 23,523 |
| | 62,634 | — | — | 62,634 | 62,546 |
| Temporary investments | | | | | |
| Guaranteed investment certificates | — | 16,085 | — | 16,085 | 16,336 |
| Corporate bonds and loans | — | 6,042 | — | 6,042 | 5,457 |
| | — | 22,127 | — | 22,127 | 21,793 |
| Derivative instruments | | 634 | | 634 | 581 |
| Corporate investments | — | — | 368,355 | 368,355 | 353,801 |
| | 62,634 | 22,761 | 368,355 | 453,750 | 438,721 |

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization [based on the lowest level input that is significant to the fair value measurement as a whole] at the end of each reporting period. Transfers between levels of fair value hierarchy are deemed to have occurred at the date of event.

During the quarter ended June 30, 2016, there were no transfers between the various levels of the fair value hierarchy.

[b] Level 3: Reconciliation between opening and closing balances

The following table details the changes in fair value measurements for instruments included in Level 3 of the fair value hierarchy set out in IFRS 13:

| [\$'000s] | For the quarter ended June 30, 2016 | | | | | Unrealized gains [losses] and foreign exchange revaluations included in earnings for assets and liabilities for the quarter ended June 30, 2016 for positions still held |
|-------------------------|-------------------------------------|--|---|--|--------------------------------|---|
| | Fair value April 1, 2016 | Total realized / unrealized gains [losses] and foreign exchange revaluations included in earnings | Purchases of assets / issuances of liabilities | Sales of assets / settlements of liabilities | Fair value June 30, 2016 | |
| Financial assets | | | | | | |
| Corporate investments | 353,801 | 14,554 | — | — | 368,355 | 14,554 |
| | 353,801 | 14,554 | — | — | 368,355 | 14,554 |

[c] Level 3: Fair value measurement based on reasonably possible alternative assumptions

While Clairvest considers its fair value measurements to be appropriate, the use of reasonably possible alternative assumptions could result in different fair values. For a given measurement date, it is possible that other market participants could measure a same financial instrument at a different fair value, with the valuation techniques and inputs used by these market participants still meeting the definition of fair value. The fact that different fair value measurements exist reflects the judgment, estimates and assumptions applied as well as the uncertainty involved in determining the fair value of these financial instruments. Included in corporate investments are investee companies [refer to *note 7*] for which the fair values have been estimated based on assumptions that are not supported by observable inputs. The following tables details quantitative information on the primary valuation techniques and unobservable inputs based on the form of investment:

| June 30, 2016 | Valuation techniques | Significant unobservable input | Range |
|---|-----------------------------------|--------------------------------|----------------------|
| Unquoted equity instruments [including warrants] or partnership units | Public company comparables | EBITDA multiples | 5.1x to 7.7x |
| | Recent transactions | n/a | n/a |
| Corporate bonds, debentures or loans not traded or other finite set of cash flows | Discounted cash flows | Discount rates | 8.0% to 19.0% |

The most significant unobservable input for fair value measurement is the multiple of earnings before interest, tax, depreciation and amortization [“EBITDA”] used for each individual investee company. In determining the appropriate multiple, Clairvest considers [i] public company multiples for companies in the same or similar businesses; [ii] where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and [iii] multiples at which Clairvest invested directly or indirectly in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company’s earnings and current economic environment. Nine investee companies are valued using the earnings multiple approach. If the Company had used an earnings multiple for each investee company that was higher or lower by 0.5 times, the potential effect would be an increase of \$21.5 million or decrease of \$20.4 million to the carrying value of corporate investments and net investment gains, on a pre-tax basis for the quarter ended June 30, 2016. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

Clairvest may also use information about recent transactions carried out in the market for valuations of private equity investments when this value is the most representative indication of fair value. The fair value of corporate bonds, debentures or loans is primarily determined using discounted cash flow technique which uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows. For those investments valued based on recent transactions or discounted cash flows, Clairvest has determined that there are no alternative assumptions that would change the fair value significantly at June 30, 2016 and March 31, 2016.

17. CAPITAL DISCLOSURES

Clairvest considers the capital it manages to be shareholders’ equity. Clairvest also manages capital held in acquisition entities, the third-party capital committed or invested in the CEP Funds and co-investments made by other investors.

Clairvest’s objectives in managing capital are to:

- Preserve a financially strong company with substantial liquidity to pursue new acquisitions and growth opportunities as well as to support its operations and the growth of its existing corporate investments;
- Achieve an appropriate risk adjusted return on capital;
- Build long-term value in its corporate investments; and
- Have appropriate levels of committed third-party capital available to invest along with Clairvest’s capital. The management of third-party capital also provides management fees and/or priority distributions to Clairvest and the ability to enhance Clairvest’s returns by offsetting a portion of its operating costs and by earning a carried interest.

As at June 30, 2016, Clairvest had no external capital requirements, other than as disclosed in *note 14*.

18. COMPARATIVE FINANCIAL STATEMENTS

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