**CLAIRVEST GROUP INC.**
**NOTICE TO READER**
**June 30, 2021**
**(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.**
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**(unaudited)**

| $000's | June 30 2021 | March 31 2021 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents (notes 4 and 13) | **$ 249,056** | $ 186,795 |
| Temporary investments (note 4) | **92,391** | 92,578 |
| Accounts receivable and other assets (note 11(f)) | **41,211** | 40,502 |
| Loans receivable (note 11(e)) | **3,759** | 86,313 |
| Derivative instruments (note 14) | **1,654** | 1,446 |
| Income taxes recoverable | **2,325** | 433 |
| Carried interest from Clairvest Equity Partners III and IV (note 8) | **33,984** | 34,318 |
| Corporate investments (note 6) | **581,618** | 534,667 |
| Fixed assets (notes 9 and 15(e)) | **8,150** | 7,973 |
| | **$ 1,014,148** | $ 985,025 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Liabilities** | | |
| Accounts payable and accrued liabilities (note 11(h)) | **$ 7,719** | 8,554 |
| Dividend payable | **8,577** | — |
| Income taxes payable | **—** | 956 |
| Accrued compensation expense (notes 12 and 15(b)) | **13,600** | 10,507 |
| Share-based compensation (note 12) | **70,184** | 65,216 |
| Management participation from Clairvest Equity Partners III and IV (note 8) | **25,416** | 25,996 |
| Deferred income tax liability | **21,323** | 15,989 |
| | **146,819** | 127,218 |
| Contingencies, commitments and guarantees (notes 11 and 15) | | |
| **Shareholders' Equity** | | |
| Share capital (note 10) | **80,827** | 80,827 |
| Retained earnings | **786,502** | 776,980 |
| | **867,329** | 857,807 |
| | **$ 1,014,148** | $ 985,025 |

(see accompanying notes to interim condensed consolidated financial statements)

**CLAIRVEST GROUP INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(unaudited)**

| $000's (except per share information) | | Quarter ended June 30 **2021** | | 2020 |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Net investment gain (notes 5 and 6) | **$** | **28,951** | $ | 74,690 |
| Distributions and interest income (notes 6, 7 and 11) | | **3,542** | | 7,053 |
| Carried interest from Clairvest Equity Partners III and IV (note 8) | | **(334)** | | (7,885) |
| Dividend income | | **375** | | 320 |
| Management fees (note 7) | | **2,786** | | 3,178 |
| Advisory and other fees | | **597** | | 591 |
| | | **35,917** | | 77,947 |
| **EXPENSES** | | | | |
| Employee compensation and benefits (note 12 and 15(b)) | | **5,432** | | 4,677 |
| Share-based compensation expenses (note 12) | | **4,696** | | 5,981 |
| Administration and other expenses | | **1,321** | | 1,306 |
| Finance and foreign exchange expenses | | **881** | | 500 |
| Management participation from Clairvest Equity Partners III and IV (note 8) | | **(580)** | | (6,177) |
| | | **11,750** | | 6,287 |
| Income before income taxes | | **24,167** | | 71,660 |
| Income tax expense | | **6,068** | | 7,308 |
| **Net income and comprehensive income for the period** | | **18,099** | | 64,352 |
| Basic and fully diluted net income and comprehensive income per share | **$** | **1.21** | $ | 4.27 |

(see accompanying notes to interim condensed consolidated financial statements)

**CLAIRVEST GROUP INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
(unaudited)

| $000's | | Share capital | | Retained earnings | | Total shareholders' equity |
|---|---|---|---|---|---|---|
| **As at April 1, 2021** | **$** | **80,827** | **$** | **776,980** | **$** | **857,807** |
| Changes in shareholders' equity | | | | | | |
| Net income and comprehensive income for the period | | | | **18,099** | | **18,099** |
| | | | | **795,079** | | **875,906** |
| Dividends declared ($0.5696 per share) | | | | **(8,577)** | | **(8,577)** |
| **As at June 30, 2021** | **$** | **80,827** | **$** | **786,502** | **$** | **867,329** |
| **As at April 1, 2020** | $ | 80,917 | $ | 756,498 | $ | 837,415 |
| Changes in shareholders' equity | | | | | | |
| Net income and comprehensive income for the period | | | | 64,352 | | 64,352 |
| | | | | 820,850 | | 901,767 |
| Dividends declared ($0.5555 per share) | | | | (8,369) | | (8,369) |
| Purchase and cancellation of shares | | (48) | | (355) | | (403) |
| **As at June 30, 2020** | $ | 80,869 | $ | 812,126 | $ | 892,995 |

(see accompanying notes to interim condensed consolidated financial statements)

## CLAIRVEST GROUP INC.
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
## (unaudited)

| **$000's** | | **Quarter ended June 30** **2021** | | 2020 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Net income and comprehensive income for the period | **$** | **18,099** | $ | 64,352 |
| Add (deduct) items not involving a current cash outlay: | | | | |
| Amortization of fixed assets | | **284** | | 308 |
| Share-based compensation | | **4,987** | | 6,251 |
| Deferred income tax expense | | **5,334** | | 1,414 |
| Net investment gain | | **(28,951)** | | (74,690) |
| Carried interest and management participation from Clairvest Equity Partners III and IV | | **(246)** | | 1,736 |
| Non-cash items relating to foreign exchange forward contracts | | **(208)** | | (1,817) |
| Non-cash items relating to corporate investments | | **(209)** | | — |
| | | **(910)** | | (2,446) |
| Adjustments for: | | | | |
| Net proceeds on sale of temporary investments | | **4,770** | | 1,413 |
| Net loans repaid by (advanced to) acquisition entities or the CEP Funds (note 11(e)) | | **82,554** | | (49,785) |
| Proceeds from settlement of realized foreign exchange forward contracts | | **—** | | 2,519 |
| Investments made in investee companies or acquisition entities | | **(22,383)** | | (21,081) |
| Distribution or return of capital from investee companies or acquisition entities | | **9** | | 330 |
| Settlement of share-based compensation liability | | **(19)** | | — |
| | | **64,931** | | (66,604) |
| Net change in non-cash working capital balances related to operations (note 13) | | **(1,299)** | | (993) |
| **Cash provided by (used in) operating activities** | | **62,722** | | (70,043) |
| **INVESTING ACTIVITIES** | | | | |
| Sale (purchase) of fixed assets | | **(461)** | | — |
| **Cash used in investing activities** | | **(461)** | | — |
| **FINANCING ACTIVITIES** | | | | |
| Purchase and cancellation of shares (note 10) | | **—** | | (403) |
| **Cash used in financing activities** | | **—** | | (403) |
| **Net increase (decrease) in cash during the period** | | **62,261** | | (70,446) |
| **Cash and cash equivalents, beginning of period** | | **186,795** | | 272,938 |
| **Cash and cash equivalents, end of period** (note 13) | **$** | **249,056** | $ | 202,492 |
| **Supplemental cash flow information** | | | | |
| Interest received | **$** | **1,112** | $ | 1,693 |
| Distributions received | **$** | **1,076** | $ | 2,629 |
| Income taxes paid | **$** | **3,576** | $ | 842 |
| Interest paid | **$** | **172** | $ | 175 |

## 1. NATURE OF OPERATIONS

Clairvest Group Inc. ("Clairvest" or the "Company") is a private equity management firm that specializes in partnering with management teams and other stakeholders of both emerging and established companies. The company's shares are traded on the Toronto Stock Exchange ("TSX") under symbol the CVG. The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial businesses.

As at June 30, 2021, 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"), CEP V HI India Investment Limited Partnership ("CEP V India"), Clairvest Equity Partners V-A Limited Partnership ("CEP V-A"), Clairvest Equity Partners VI Limited Partnership ("CEP VI"), Clairvest Equity Partners VI-A Limited Partnership ("CEP VI-A"), and Clairvest Equity Partners VI-B Limited Partnership ("CEP VI-B") (together, the "CEP Funds"). CEP III, CEP IV and CEP IV-A are herein referred to as Clairvest Equity Partners III and IV. CEP V, CEP V India, CEP V-A, CEP VI, CEP VI-A and CEP VI-B are herein referred to as Clairvest Equity Partners V and VI.

Clairvest contributes financing and strategic expertise to support the growth and development of its investee companies in order to create realizable value for 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 ("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 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 11, 2021, 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, 2022 could result in restatement of these unaudited interim condensed consolidated financial statements.

The disclosures contained in these unaudited interim condensed consolidated financial statements include, in general, only significant changes and transactions occurring since the Company's last year-end and are not fully inclusive of all disclosure 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, 2021.

The comparative figures indicated in the notes to the unaudited interim condensed consolidated financial statements are as of June 30, 2020 unless otherwise indicated.

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 these entities. Such entities would include those which earn priority distributions or management fees from the CEP Funds and carried interest from Clairvest Equity Partners III and IV. 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, do not meet the definition of an investment entity and 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 GP III")
Clairvest General Partner IV Limited Partnership ("Clairvest GP IV")

**(II) Interests in unconsolidated subsidiaries ("acquisition entities")**

In accordance with IFRS 10, interests in subsidiaries other than those that provide investment-related services are accounted for at fair value through profit or loss ("FVTPL") rather than consolidating them. As discussed under critical accounting estimates and judgments, management exercised judgment 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")
2486303 Ontario Inc. ("2486303 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")
Clairvest General Partner V Limited Partnership ("Clairvest GP V")
MIP V Limited Partnership ("MIP V")
CEP VI Co-Investment Limited Partnership ("CEP VI Co-Invest")
MIP VI Limited Partnership ("MIP VI")
Clairvest SLP VI Limited Partnership ("Clairvest SLP VI")

The Company may also use intermediate subsidiaries whose sole purpose is to hold investments for the Company and therefore are 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 *notes 7 and 8*. 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 and other funds it manages for certain co-investors 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, 2021. Unless otherwise indicated, 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 IFRS 9, *Financial Instruments* ("IFRS 9") financial instruments classified as FVTPL would include cash and cash equivalents, temporary investments, loans receivable, derivative instruments and corporate investments. These financial instruments are classified at initial recognition at FVTPL 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. The Company does not apply hedge accounting to its derivative instruments. Accounts receivable and other assets would include balances relating to its acquisition entities, indirect investee companies ("investee companies") and the CEP Funds as well as other short-term receivables. These receivable balances are recognized at amortized cost in accordance with IFRS 9. Accounts payable and accrued liabilities are considered to be payable in respect of goods or services received up to the statement of financial position date and are recognised at amortised cost in accordance with IFRS 9.

**(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, the fair value of an investment quoted on an active market is generally the 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.

**(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 gain 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 include amounts receivable from Clairvest Equity Partners III and IV. Each Clairvest Equity Partners III and IV Fund is separately reviewed as at the consolidated statement of financial position date and an accrual for carried interest is made when the performance conditions are achieved in accordance with IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") based on the assumption that the remaining underlying investments are realized at their estimated fair values. The fair value of the underlying investments is determined consistently with the Company's valuation methodology and is measured at the consolidated statement of financial position date. Carried interest is accrued only in the event that it is highly probable that there will not be a significant reversal in future financial periods.

**(d) Stock-based compensation plans**

The Company's stock option plans allow for 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 over the applicable vesting period and a corresponding liability is recorded based on the fair value of the outstanding stock options at the consolidated statements of financial position dates. Fair value is measured by use of an appropriate option-pricing model. 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 subsidiaries 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 Clairvest Equity Partners III and IV which are ultimately paid to the limited partners of the corresponding MIP partnerships 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. The amounts ultimately paid to the limited partners of the corresponding MIP Partnerships resulting from carried interest from Clairvest Equity Partners V and VI are accounted for at FVTPL.

**(f) Leases**

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. Each lease payment is allocated between the repayment of the lease liability and finance expenses. Finance expenses are charged to the unaudited interim consolidated statement of comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The associated right-of-use assets were measured at an amount equal to the lease liabilities, adjusted for previously recognized lease accruals, in accordance with the transitional provisions of *Leases* ("IFRS 16"), and entirely comprised real estate premises. The right-of-use assets are included within fixed assets in the unaudited interim consolidated statement of financial position and amortized on a straight-line basis over the shorter of the asset's useful life and the lease term. There was no impact to retained earnings on April 1, 2019 resulting from the adoption of IFRS 16.

**(g) 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 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 recorded on the consolidated statements of financial position is based on the fair values of the financial instruments held by Clairvest Equity Partners III and IV. In accordance with IFRS 15, the calculated carried interest can only be recognized to the extent to which it is highly probable that there will not be a significant reversal when the relevant uncertainty is resolved. This judgement is made on a fund-by-fund basis, based on its specific circumstances, including consideration of: remaining duration of the fund, position in relation to the cash hurdle, the number of assets remaining in the fund and the potential for clawback. The actual amounts of carried interest received and paid will depend on the cash realizations of Clairvest Equity Partners III and IVs' portfolio investments and valuations may change significantly in future financial periods. 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 carried interest and the resulting accrued liabilities for future payouts relating to the carried interest as at the consolidated 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 deferred income tax asset will be realized. 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 differ significantly from estimates recorded in deferred income tax balances.

**Impact on COVID-19 on Significant Estimates**

As at June 30, 2021, there remains uncertainty on the longer-term impacts of the COVID-19 pandemic and the recovery. Accordingly, there exists a wide range of possible outcomes regarding the full scope of the economic impact of COVID-19. As a result, the carrying value estimates of the Company's certain corporate investments as at June 30, 2021 required significant judgment given the uncertainty regarding the long-term impact of COVID-19 and the ultimate impact of COVID-19 on the Company's investee companies are unknown. If the duration of the pandemic, the related advisories and restrictions are significantly longer than the Company's estimate, the carrying value of its corporate investments may be materially adversely affected, resulting in a material adverse impact to the Company's consolidated financial results.

## 3. CREDIT FACILITIES

As at June 30, 2021 and March 31, 2021, Clairvest maintained a $100.0 million revolving credit facility which is participated in by several Schedule 1 Canadian chartered banks. The credit facility, which has an expiry of December 2025 and is eligible for a one-year extension on each anniversary date, bears interest at the bank prime rate plus 1.25% per annum on drawn amounts and a standby rate of 0.70% per annum on undrawn amounts. The prime rate as at June 30, 2021 was 2.45% (March 2021 – 2.45%) per annum. The amount available under the credit facility as at June 30, 2021 and March 31, 2021 was $100.0 million. No amounts had been drawn on the facility during the quarter and as at June 30, 2021.

## 4. CASH, CASH EQUIVALENTS, TEMPORARY INVESTMENTS AND RESTRICTED CASH

Cash equivalents consist of deposits in investment savings accounts which have maturities of less than 90 days from the date of acquisition. As at June 30, 2021, the pre-tax weighted average yield was 0.6% (March 2021 – 0.7%) per annum.

As at June 30, 2021, temporary investments comprised guaranteed investment certificates, corporate bonds, marketable securities, limited recourse capital notes and other fixed income securities as permitted by the Company's treasury policy which in aggregate may not exceed 10% of book value and with no single issue greater than 1.5% of book value. Guaranteed investment certificates and corporate bonds have maturities greater than 90 days from the date of acquisition and through to July 2024. The pre-tax weighted average yield was 3.3% (March 2021 – 3.2%) per annum. The composition of Clairvest's temporary investments was as follows:

| | **June 30, 2021** | | | March 31, 2021 |
|---|---|---|---|---|
| | **Due in 1 year or less** | **Due after 1 year** | **Total** | Total |
| Guaranteed investment certificates | **$ 33,365** | **$ 2,098** | **$ 35,463** | $ 44,248 |
| Marketable securities[(1)] | **—** | **36,522** | **36,522** | 31,564 |
| Limited recourse capital notes | **—** | **6,292** | **6,292** | 4,173 |
| Other fixed income securities | **8,678** | **5,436** | **14,114** | 12,593 |
| Total | **$ 42,043** | **$ 50,348** | **$ 92,391** | $ 92,578 |

(1) 256,548 common shares of Canadian Imperial Bank of Commerce ("CIBC", TSX:CM).

Additionally, Clairvest's acquisition entities held $48.5 million (March 2021 – $45.7 million) in cash and cash equivalents and $14.0 million (March 2021 – $20.2 million) in temporary investments as described in *note 6*.

## 5. NET INVESTMENT GAIN

Net investment gain for the quarters ended June 30, 2021 and 2020 comprised the following:

| | **Quarter ended June 30** | |
|---|---|---|
| **$000's** | **2021** | 2020 |
| Net investment gain on investee companies | **21,353** | 65,022 |
| Net investment gain on treasury funds | **4,583** | 1,970 |
| Net investment gain (loss) on the fair value revaluation of acquisition entities | **2,431** | (2,842) |
| **Net change in unrealized gain on corporate investments** (note 8) | **28,367** | 64,150 |
| Carried interest from Clairvest Equity Partners V and VI (note 8) | **2,781** | 37,276 |
| Management participation from Clairvest Equity Partners V and VI (note 8) | **(2,197)** | (26,736) |
| | **28,951** | 74,690 |

## 6. 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 that 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:

| | **June 30 2021** | | | March 31, 2021 | | |
|---|---|---|---|---|---|---|
| **$000's** | **Investee companies** | **Acquisition entity net assets (liabilities)** | **Total** | Investee companies | Acquisition entity net assets (liabilities) | Total |
| Held directly by Clairvest Group Inc. | **16,967** | **—** | **16,967** | 2,674 | — | 2,674 |
| Held through the following acquisition entities | | | | | | |
| 2141788 Ontario | **60,784** | **56,616** | **117,400** | 64,670 | 55,591 | 120,261 |
| 2486303 Ontario | **3,985** | **(3,195)** | **790** | 2,629 | (2,958) | (329) |
| CEP III Co-Invest | **11,759** | **502** | **12,261** | 14,814 | 460 | 15,274 |
| MIP III | **471** | **(20)** | **451** | 593 | (15) | 578 |
| CEP IV Co-Invest | **72,129** | **2,922** | **75,051** | 70,301 | 1,897 | 72,198 |
| MIP IV | **1,092** | **(20)** | **1,072** | 1,065 | (13) | 1,052 |
| CEP V Co-Invest | **241,298** | **(7,970)** | **233,328** | 234,485 | (9,805) | 224,680 |
| Clairvest GP V | **19,660** | **45,512** | **65,172** | 19,107 | 44,127 | 63,234 |
| MIP V | **5,242** | **(90)** | **5,152** | 5,095 | (85) | 5,010 |
| CEP VI Co-Invest | **42,645** | **(2,038)** | **40,607** | 37,849 | (24,979) | 12,870 |
| Clairvest SLP VI | **3,258** | **(2)** | **3,256** | 5,475 | 3 | 5,478 |
| MIP VI | **10,124** | **(13)** | **10,111** | 11,696 | (9) | 11,687 |
| Total | **489,414** | **92,204** | **581,618** | 470,453 | 64,214 | 534,667 |

2141788 Ontario, a limited partner of CEP III Co-Invest and CEP V Co-Invest, is a wholly owned acquisition entity of Clairvest. 2486303 Ontario 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, CEP V Co-Invest, Clairvest GP V and MIP V, and CEP VI Co-Invest, Clairvest SLP VI and MIP VI are described in *notes 11(a), 11(b), 11(c) and 11(d)*.

During the first quarter of fiscal 2022, Clairvest made a direct investment of US$15.9 million (C$19.7 million) and an indirect investment, through its acquisition entity Clairvest SLP VI, of US$2.5 million (C$3.1 million) in CEP VI Co-Invest.

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 2021 | March 31 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **48,543** | 45,708 |
| Temporary investments | **14,003** | 20,245 |
| Accounts receivable and other assets | **107** | 816 |
| Derivative instruments | **9,171** | 6,720 |
| Income taxes recoverable | **140** | 48 |
| Carried interest from Clairvest Equity Partners V and VI | **91,124** | 88,343 |
| Loans receivable | **3,621** | 80 |
| Deferred income tax asset | **940** | 1,106 |
| | **167,649** | 163,066 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | **3,700** | 4,390 |
| Income taxes payable | **6** | 753 |
| Management participation from Clairvest Equity Partners V and VI | **62,543** | 60,346 |
| Loans payable | **3,759** | 25,548 |
| Deferred income tax liability | **5,437** | 7,815 |
| | **75,445** | 98,852 |
| **Net assets** | **92,204** | 64,214 |

Excluding the net assets from acquisition entities summarized in the table above, the fair value and the cost of the Company's corporate investments, aggregated by industry concentration, are summarized below.

| | **June 30, 2021** | | | March 31, 2021 | | |
|---|---|---|---|---|---|---|
| **$000's** | **Fair value** | **Cost** | **Difference** | Fair value | Cost | Difference |
| Co-packing | **5,117** | **5,117** | **—** | 5,117 | 5,117 | — |
| Dental services | **17,993** | **15,902** | **2,091** | 14,884 | 15,902 | (1,018) |
| Equipment rental | **4,403** | **13,591** | **(9,188)** | 4,467 | 13,591 | (9,124) |
| Financial services | **15,632** | **—** | **15,632** | 1,782 | — | 1,782 |
| Gaming | **197,590** | **112,381** | **85,209** | 189,551 | 111,395 | 78,156 |
| Information technology | **23,570** | **16,351** | **7,219** | 22,690 | 16,351 | 6,339 |
| Marketing services | **68,290** | **995** | **67,295** | 80,951 | 995 | 79,956 |
| Renewable energy | **62,976** | **55,292** | **7,684** | 61,047 | 55,292 | 5,755 |
| Specialty aviation and defence services | **49,131** | **64,623** | **(15,492)** | 49,316 | 64,623 | (15,307) |
| Waste management | **40,149** | **25,618** | **14,531** | 36,009 | 25,618 | 10,391 |
| Other investments | **4,563** | **2,303** | **2,260** | 4,639 | 2,312 | 2,327 |
| | **489,414** | **312,173** | **177,241** | 470,453 | 311,196 | 159,257 |

During the first quarter of fiscal 2022, the aggregate fair value of Clairvest's investee companies increased by $19.7 million, comprised primarily of $24.9 million in net unrealized gain in investee companies, $1.6 million in follow-on investments in FSB Technology, net of $7.0 million of losses in foreign exchange revaluations which were partially offset by gains on the foreign exchange hedging activities. The cost and fair value of investee companies do not reflect foreign exchange gains or losses on these foreign exchange forward contracts (refer to *note 14*). For those investments which were hedged by acquisition entities, the fair value of these foreign exchange forward contracts was included in the net assets (liabilities) of these acquisition entities. Details of significant events of the investee companies, other than with respect to valuation changes and foreign exchange adjustments, are described below.

During the first quarter of fiscal 2022, CEP V Co-Invest made follow-on investments totalling GBP£0.9 million (C$1.6 million) for 900,000 Class B convertible preferred shares, increasing its ownership interest in FSB Technology to 25.2% on a fully diluted basis.

Also during the first quarter of fiscal 2022, CEP IV Co-Invest received a full repayment of the non-interest-bearing short-term loan from the Meadowlands.

The following table summarizes, by industry concentration, the net investment gain or loss on investee companies for the quarters ended June 30, 2021 and 2020. The net investment gain or loss is inclusive of the impact on the foreign exchange hedging activities related to these investments.

| Quarter ended June 30 | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| ($000's) | Net realized gains (losses) | Net unrealized gains (losses) | Foreign exchange gains (losses)(1) | Total | Total |
| Dental services | **—** | **3,323** | **(24)** | **3,299** | 30 |
| Equipment rental | **—** | **—** | **65** | **65** | (29) |
| Financial services | **—** | **13,851** | **—** | **13,851** | (45) |
| Gaming | **—** | **11,459** | **(3,377)** | **8,082** | 51,324 |
| Information technology | **—** | **1,068** | **(179)** | **889** | 1,266 |
| Marketing services | **41** | **(12,091)** | **375** | **(11,675)** | 36,574 |
| Renewable energy | **—** | **2,648** | **(124)** | **2,524** | (83) |
| Residential services | **—** | **—** | **—** | **—** | 2,506 |
| Specialty aviation and defence services | **—** | **(185)** | **—** | **(185)** | (29,246) |
| Waste management | **—** | **4,658** | **(136)** | **4,522** | 2,769 |
| Other investments | **—** | **—** | **(19)** | **(19)** | (44) |
| **Net investment gain (loss) on investee companies** | **41** | **24,731** | **(3,419)** | **21,353** | 65,022 |

(1) Inclusive of foreign exchange hedging activities

The Company and its acquisition entities entered into foreign exchange forward contracts as economic hedges against the fair value of its foreign currency-denominated investments and loans in accordance with its foreign exchange hedging policy. During the first quarter of fiscal 2022, the net impact of foreign exchange on the investee companies after consideration of foreign exchange hedging activities included a foreign exchange loss of $2.0 million (2021 – gain of $0.6 million) on Chilean Pesos denominated investment, a loss of $0.3 million (2021 – gain of $0.4 million) on U.S. Dollar denominated investments, a loss of $1.0 million (2021 – $2.2 million) on Indian Rupee denominated investment, and a loss of $0.1 million (2021 – gain of $0.1 million) on British Pound denominated investment.

## 7. GENERAL PARTNER PRIORITY DISTRIBUTIONS AND MANAGEMENT FEES

Clairvest derives revenue from its investment management services from the CEP Funds in the form of general partner priority distributions or management fees. The priority distributions and management fees are charged as a percentage of committed capital on the most recent CEP Fund and of invested capital less write-downs on the other CEP Funds. The priority distributions and management fees received by Clairvest are reduced proportionately by fees earned by Clairvest from corporate investments of the CEP Funds and other amounts as provided in the respective Limited Partnership Agreements.

For the quarters ended June 30, 2021 and 2020, Clairvest recorded general partner priority distributions and management fees from the CEP Funds as follows:

**Priority Distributions**

| $000's | 2021 | 2020 |
|---|---|---|
| CEP III | **32** | 64 |
| CEP IV | **244** | 233 |
| CEP V | **721** | 562 |
| CEP V India | **154** | 154 |
| CEP VI | **1,117** | 1,303 |
| | **2,268** | 2,316 |

**Management Fees**

| $000's | 2021 | 2020 |
|---|---|---|
| CEP IV-A | **35** | 34 |
| CEP V-A | **195** | 162 |
| CEP VI-A | **1,562** | 1,823 |
| CEP VI-B | **994** | 1,159 |
| | **2,786** | 3,178 |

## 8. CARRIED INTEREST AND MANAGEMENT PARTICIPATION

As governed by the respective CEP Fund Limited Partnership Agreements, certain Clairvest consolidated subsidiaries are entitled to participate in distributions equal to 20% of all net gains ("carried interest"), which is subject to the respective investors of each CEP Fund achieving a minimum net return on their investment. On Clairvest Equity Partners VI, the carried interest increases from 20% to 25% once their investors achieve a net return of two times their aggregate capital contributions.

Clairvest is entitled to 50% of the carried interest realized in each CEP Fund and Clairvest management is entitled to the other 50% of the carried interest through their limited partnership interests in the various MIP Partnerships. Clairvest management is also entitled to an 8.25% carried interest from the various CEP Co-Investment Partnerships as governed by their respective Limited Partnership Agreements.

In accordance with *note 2(e)*, Clairvest records the carried interest from Clairvest Equity Partners III and IV and records an expense and a liability on that portion of the carried interest which is payable to Clairvest management. In accordance with IFRS 10, the carried interest from Clairvest Equity Partners V and VI and the corresponding management participation has been included in net investment gain as described in *note 5*.

Carried interest from Clairvest Equity Partners III and IV for the quarters ended June 30 comprised the following:

| **$000's** | **2021** | 2020 |
|---|---|---|
| Realized carried interest (note 10) | — | 700 |
| Net changes in unrealized carried interest (note 10) | **(334)** | (8,585) |
| | **(334)** | (7,885) |

The following tables detail the carried interest received from Clairvest Equity Partners III and IV and management participation paid for the quarters ended June 30 and the corresponding receivable and payable balances as at the respective balance sheet dates:

| | **Realized carried interest received during** | | **Unrealized carried interest, as at** | |
|---|---|---|---|---|
| | **Quarter ended June 30** | | **June 30** | **March 31** |
| **$000's** | **2021** | **2020** | **2021** | **2021** |
| CEP | — | — | **857** | 648 |
| CEP III | — | 700 | **6,369** | 7,735 |
| CEP IV | — | — | **23,193** | 22,466 |
| CEP IV-A | — | — | **3,565** | 3,469 |
| | — | 700 | **33,984** | 34,318 |

| | **Management participation paid during** | | **Management participation payable, as at** | |
|---|---|---|---|---|
| | **Quarter ended June 30** | | **June 30** | **March 31** |
| **$000's** | **2021** | **2020** | **2021** | **2021** |
| CEP III | — | 350 | **3,185** | 3,868 |
| CEP IV | — | — | **11,596** | 11,233 |
| CEP IV-A | — | — | **1,782** | 1,734 |
| CEP III Co-Invest | — | 322 | **2,571** | 3,117 |
| CEP IV Co-Invest | — | — | **6,282** | 6,044 |
| | — | 672 | **25,416** | 25,996 |

During the quarter ended June 30, 2021, no carried interest was received from Clairvest Equity Partners V and VI and no management participation payments were made by Clairvest related to Clairvest Equity Partners V and VI. The following table details the carried interest receivable from Clairvest Equity Partners V and VI and management participation payable balances, as at the respective balance sheet dates, which have been included in corporate investments:

| $000's | Realized carried interest received during Quarter ended June 30 2021 | 2020 | Unrealized carried interest, as at June 30 2021 | March 31 2021 |
|---|---|---|---|---|
| CEP V and CEP V India | — | — | **77,173** | 74,750 |
| CEP V-A | — | — | **13,951** | 13,593 |
| | — | — | **91,124** | 88,343 |

| $000's | Management participation paid during Quarter ended June 30 2021 | 2020 | Management participation payable, as at June 30 2021 | March 31 2021 |
|---|---|---|---|---|
| CEP V and CEP V India | — | — | **38,587** | 37,375 |
| CEP V-A | — | — | **6,975** | 6,796 |
| CEP V Co-Invest | — | — | **16,981** | 16,175 |
| | — | — | **62,543** | 60,346 |

## 9. FIXED ASSETS

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

| $000's | Aircraft[1] | IT equipment | Furniture, fixtures and equipment | Leasehold improvements | Right-of-use asset[2] | Total |
|---|---|---|---|---|---|---|
| **As at June 30, 2021** | | | | | | |
| Cost | **6,566** | **16** | **296** | **708** | **4,175** | **11,761** |
| Accumulated amortization | **(1,669)** | **(16)** | **(278)** | **(686)** | **(962)** | **(3,611)** |
| **Net book amount** | **4,897** | **—** | **18** | **22** | **3,213** | **8,150** |
| | | | | | | |
| **As at March 31, 2021** | | | | | | |
| Cost | 6,105 | 16 | 296 | 708 | 4,175 | 11,300 |
| Accumulated amortization | (1,500) | (16) | (276) | (686) | (849) | (3,327) |
| **Net book amount** | 4,605 | — | 20 | 22 | 3,326 | 7,973 |

(1) A corresponding payable equal to 50% of the net book value of the aircraft had been recorded to reflect the ownership interest of the related parties.

(2) As a result of adopting *IFRS 16: Leases*, Clairvest included an accrued liability resulting from future minimum annual lease payments for the use of office space. $0.6 million is due within one year, $2.5 million due after one year but no more than five years, and $0.6 million due after five years. Refer to *note 15(e)* for further details.

## 10. SHARE CAPITAL

The Company has a normal course issuer bid ("NCIB") outstanding enabling it to make purchases of up to 760,749 common shares in the 12-month period ending March 7, 2022. No shares were purchased and cancelled under the current NCIB during the quarter.

Aa at June 30, 2021 and March 31, 2021, 15,058,401 common shares were outstanding.

The Board of Directors of the Company had authorized the creation of 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 stock option program as described in *note 12*. No Non-Voting Shares had been issued as at June 30, 2021.

## 11. RELATED PARTY TRANSACTIONS

**(a)** CEP III Co-Invest, an investment vehicle established in fiscal 2007, has committed to co-invest alongside CEP III in all investments undertaken by CEP III. 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.

CEP III Co-Invest's co-investment commitment is $75.0 million, $1.0 million (March 2021 – $1.0 million) of which remained unfunded as at June 30, 2021. CEP III Co-Invest is capitalized by three limited partners, Clairvest, 2141788 Ontario and MIP III. In accordance with the co-investment agreement, the proportion of the commitment amongst its three limited partners is at their own discretion. As at June 30, 2021, MIP III had invested $1.1 million in CEP III Co-Invest. Clairvest, as the general partner of MIP III, is entitled to participate in distributions equal to the realizable value on the $1.1 million invested by MIP III in CEP III Co-Invest. No distribution was made from MIP III to Clairvest during the first quarter of fiscal 2022. As at June 30, 2021, $2.5 million (March 2021 – $2.5 million) had been received by Clairvest.

**(b)** CEP IV Co-Invest, an investment vehicle established in fiscal 2010, 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 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.

CEP IV Co-Invest's co-investment commitment is $125.0 million, $21.2 million (March 2021 – $21.2 million) of which remained unfunded as at June 30, 2021. CEP IV Co-Invest is capitalized by two limited partners, Clairvest and MIP IV. In accordance with the co-investment agreement, the proportion of the commitment amongst its two limited partners is at their own discretion. As at June 30, 2021, MIP IV had invested $1.6 million in CEP IV Co-Invest. Clairvest, as the general partner of MIP IV, is 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 distribution was made from MIP IV to Clairvest during the first quarter of fiscal 2022. As at June 30, 2021, $6.2 million (March 2021 – $6.2 million) had been received by Clairvest.

**(c)** CEP V Co-Invest, an investment vehicle established in fiscal 2015, has committed to co-invest alongside CEP V, CEP V India and CEP V-A in all investments undertaken by CEP V, CEP V India and CEP V-A. CEP V Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP V, CEP V India and CEP V-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP V, CEP V India and CEP V-A.

CEP V Co-Invest's co-investment commitment is $180.0 million, $39.2 million (March 2021 – $39.2 million) of which remained unfunded as at June 30, 2021. CEP V Co-Invest is capitalized by four limited partners, Clairvest, 2141788 Ontario, Clairvest GP V LP and MIP V. In accordance with the co-investment agreement, the proportion of the commitment amongst its four limited partners is at their own discretion. As at June 30, 2021, MIP V had invested $2.4 million in CEP V Co-Invest. Clairvest, as the general partner of MIP V, is 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 distributions had been made by MIP V to Clairvest as at June 30, 2021.

**(d)** CEP VI Co-Invest, an investment vehicle established in fiscal 2020, has committed to co-invest alongside CEP VI, CEP VI-A and CEP VI-B in all investments undertaken by CEP VI, CEP VI-A and CEP VI-B. CEP VI Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP VI, CEP VI-A and CEP VI-B if it concurrently sells a proportionate number of securities of that corporate investment held by CEP VI, CEP VI-A, and CEP VI-B.

CEP VI Co-Invest's co-investment commitment is US$230.0 million (C$285.1 million), US$185.7 million (C$230.2 million) of which remained unfunded as at June 30, 2021. CEP VI Co-Invest is capitalized by three limited partners, Clairvest, Clairvest SLP VI and MIP VI. In accordance with the co-investment agreement, the proportion of the commitment amongst its three limited partners is at their own discretion. As at June 30, 2021, MIP VI has committed to invested US$2.6 million in CEP VI Co-Invest. Clairvest, as the general partner of MIP VI, is entitled to participate in distributions equal to the realizable value on the US$2.6 million to be invested by MIP VI in CEP VI Co-Invest. No distributions had been made by MIP VI to Clairvest as at June 30, 2021.

**(e)** Changes to loans receivable for the quarter ended June 30, 2021 were as follows:

| $000's | April 1 2021 | Net Loans advanced (repaid) | June 30 2021 |
|---|---|---|---|
| CEP IV-A | **220** | **(220)** | — |
| CEP VI[(1)] | **18,262** | **(18,262)** | — |
| CEP VI-A[(1)] | **25,651** | **(25,651)** | — |
| CEP VI-B[(1)] | **16,380** | **(16,380)** | — |
| CEP VI Co-Invest[(2)] | **21,789** | **(21,789)** | — |
| 2486303 Ontario[(3)] | **3,759** | — | **3,759** |
| | **86,061** | **(82,302)** | **3,759** |
| Other | **252** | **(252)** | — |
| **Loans receivable** | **86,313** | **(82,554)** | **3,759** |

(1) Loans advanced bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of $0.3 million (2021 – $0.7 million) was earned from loans advanced to these counterparties during the first quarter of fiscal 2022.

(2) Loans advanced to these acquisition entities are non-interest bearing.

(3) Loans advanced to 2486303 Ontario bear interest at 10.0% per annum. Interest of $0.1 million (2021 – $0.1 million) was earned from these loans during the first quarter of fiscal 2022.

**(f)** Accounts receivable and other assets comprised the following:

| $000's | June 30 2021 | March 31 2021 |
|---|---|---|
| Clairvest's investee companies | **2,061** | 2,507 |
| CEP III | **88** | 45 |
| CEP IV | — | 61 |
| CEP IV-A | **90** | 78 |
| CEP V | **21** | 129 |
| CEP V India | **2,467** | 2,287 |
| CEP V-A | **335** | 217 |
| CEP VI | **9,443** | 8,651 |
| CEP VI-A | **12,137** | 11,222 |
| CEP VI-B | **7,715** | 7,127 |
| | **34,357** | 32,324 |
| Other accounts receivable and prepaid expenses | **4,035** | 5,357 |
| Share purchase loans | **2,819** | 2,821 |
| | **41,211** | 40,502 |

Share purchase loans to employees of the Company totalling $2.8 million (March 2021 – $2.8 million) bear interest which is paid annually, have full recourse and are collateralized by the common shares of the Company purchased by employees with a market value of $5.4 million (March 2021 – $5.3 million). None of these loans were made to key management. Interest of $15 thousand (2021 − $17 thousand) was earned on the loans during the first quarter of fiscal 2022.

**(g)** During the first quarter of fiscal 2022, Clairvest earned $0.6 million (2021 – $0.6 million) in advisory and other fees from its investee companies. Additionally, acquisition entities which were not consolidated by the Company as described in *note 6* earned $0.4 million (2021 – $0.5 million) in distributions and interest income from its investee companies.

**(h)** Clairvest and a related party of Clairvest, through a limited partnership, owns an aircraft that is available for use by both parties. Clairvest and the related party each hold a 50% limited partnership interest. As Clairvest, through a wholly-owned subsidiary, is the general partner of the limited partnership, Clairvest had recognized 100% of the net book value of the aircraft and a liability for the 50% ownership held by the related party. The cost of the aircraft had been included in fixed assets and the liability in accounts payable and accrued liabilities.

## 12. SHARE-BASED COMPENSATION AND OTHER COMPENSATION PLANS

Options granted under the Non-Voting Option Plan are exercisable for Non-Voting Shares as described in note *10*. As at June 30, 2021, 851,165 options had been granted under this plan since its inception. 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 five-year period. During the quarter ended June 30, 2021, 184,637 options were exercised, resulting in a $15.7 million cash payment on these exercises which were paid subsequent to quarter end and accordingly were included in share-based compensation liability as at June 30, 2021. Also during the quarter, 17,654 options were forfeited. As at June 30, 2021, 562,085 options were outstanding, 166,421 options of which had vested.

Clairvest recognizes stock-based compensation expense based upon the fair value of the outstanding stock options as at June 30, 2021 using the Black-Scholes option pricing model with the following assumptions:

**As at June 30, 2021**

| **Year of grant** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** |
|---|---|---|---|---|---|---|
| # of options granted | **244,429** | **78,400** | **106,667** | **49,487** | **168,829** | **203,353** |
| # of options exercised | — | **1,576** | **4,208** | **6,580** | **52,996** | **195,691** |
| # of options forfeited | — | **7,056** | **8,274** | **4,387** | **650** | **7,662** |
| # of options vested | — | **13,874** | **37,521** | **22,884** | **92,142** | **N/A** |
| Option price(1) | **131.76** | **79.69** | **85.04** | **81.60** | **59.48** | **44.06** |
| **Black-Scholes assumptions used** | | | | | | |
| Expected volatility | **10 %** | **10 %** | **10 %** | **10 %** | **10 %** | **N/A** |
| Expected forfeiture rate | **5 %** | **5 %** | **5 %** | **5 %** | **5 %** | **N/A** |
| Expected dividend yield | **0.15 %** | **0.15 %** | **0.15 %** | **0.15 %** | **0.15 %** | **N/A** |
| Risk-free interest rate | **1.46 %** | **1.31 %** | **1.08 %** | **0.83 %** | **0.52 %** | **N/A** |
| Expected life (years) | **5.00** | **4.00** | **3.00** | **2.00** | **1.00** | **N/A** |
| **Liability using Black-Scholes ($'000s)(2)** | — | **1,714** | **3,312** | **1,896** | **7,777** | **14,881** |

(1) Based on two times the 5-day weighted average closing price of Clairvest common shares at date of grant and is adjusted for special dividends paid by the Company.

(2) Share price for a Clairvest common share as at June 30, 2021 was $65.80 (TSX: CVG).

As at June 30, 2021, $29.6 million (March 2021 – $27.3 million) had been accrued and included in share-based compensation liability under the Company's Non-Voting Option Plan. During the first quarter of fiscal 2022, Clairvest recognized an expense on stock-based compensation of $2.3 million (2021 – $1.5 million).

The Company has an Employee Deferred Share Units ("EDSU") plan which provides, among other things, that participants may elect annually to receive all or a portion of their annual 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. 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 represented approximately 1.3% of the outstanding number of common shares as at June 30, 2021. As at June 30, 2021, 156,486 EDSUs (March 2021 – 156,486 EDSUs) were outstanding. Accordingly, an accrual of $10.3 million (March 2021 – $10.1 million) had been included in share-based compensation liability. During the first quarter of fiscal 2022, Clairvest recognized an expense of $0.2 million (2021 – $0.4 million) with respect to EDSUs. Subsequent to quarter end, the shareholders of the Company approved an amendment to the EDSU plan whereby the maximum number of Clairvest common shares reserved for the EDSU Plan has been increased to 350,000 common shares.

As at June 30, 2021, a total of 286,423 (March 2021 – 216,284) Book Value Appreciation Rights Units ("BVARs") were held by an employee of Clairvest, the accrual in respect of which was $6.4 million (March 2021 – $4.7 million) and had been included in share-based compensation liability, and a further $1.6 million (March 2021 – $3.0 million) not accrued as those BVARs had not vested. During the first quarter of fiscal 2022, Clairvest recognized an expense of $1.8 million (2021 – $2.5 million) with respect to BVARs.

**Compensation paid and payable to key management**

In addition to the directors, key management at Clairvest are the Chief Executive Officer ("CEO"), the Vice Chairman and the President. The CEO and the President are entitled to annual discretionary cash bonuses of up to 175% of their individual annual salary based on individual performance. The Vice Chairman is entitled to an annual discretionary cash bonus of up to 100% of 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 15(b)*, the Non-Voting Option Plan, the BVAR plan and the EDSU plan. Aggregate compensation paid to the CEO, the Vice Chairman, and the President for the quarters and three months ended June 30, 2021 and 2020 were as follows:

| $000's | Quarter ended June 30 2021 | 2020 |
|---|---|---|
| **Paid:** | | |
| Salaries | **228** | 228 |
| Annual incentive plans[(1)] | **176** | 176 |
| | **404** | 404 |

[(1)] Includes quarterly payments from annual discretionary cash bonuses of up to 21.875% of their respective annual base salary.

Compensation payable to the CEO, the Vice-Chairman, and the President at the statement of financial position dates were as follows:

| $000's | June 30 2021 | March 31 2021 |
|---|---|---|
| **Payable:** | | |
| Annual incentive plans | **3,451** | 3,125 |
| Non-voting stock options | **5,963** | 5,390 |
| Book value appreciation rights | **6,424** | 4,657 |
| Employee deferred share units | **2,732** | 2,675 |
| | **18,570** | 15,847 |

During the first quarter of fiscal 2022, the Company granted 4,488 DSUs such that as at June 30, 2021, a total of 238,985 (March 2021 – 234,497) DSUs were held by directors of the Company, the accrual in respect of which was $17.4 million (March 2021 – $16.9 million) and had been included in share-based compensation liability. For the quarter ended June 30, 2021, Clairvest recognized an expense of $0.3 million (2021 – $1.0 million) with respect to DSUs.

As at June 30, 2021, a total of 135,000 (March 2021 – 135,000) ADSUs were held by directors of the Company, the accrual in respect of which was $6.5 million (March 2021 – $6.3 million) and had been included in share-based compensation liability. For the quarter ended June 30, 2021, Clairvest recognized an expense of $0.1 million (2021 – $0.6 million) with respect to ADSUs.

As at June 30, 2021, compensation payable to the directors of Clairvest included $2.6 million (March 2021 – $2.4 million) under the Non-Voting Option Plan.

## 13. 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:

| $000's | 2021 | 2020 |
|---|---|---|
| Accounts receivable and other assets | **(709)** | (6,147) |
| Income taxes recoverable | **(1,892)** | 5,844 |
| Accounts payable and accrued liabilities, excludes lease liability recognized, see *note 15(e)* | **(835)** | (2,170) |
| Income taxes payable | **(956)** | (808) |
| Accrued compensation expense | **3,093** | 2,288 |
| | **(1,299)** | (993) |

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

| $000's | June 30 2021 | March 31 2021 |
|---|---|---|
| Cash | **219,732** | 159,178 |
| Cash equivalents | **29,324** | 27,617 |
| | **249,056** | 186,795 |

## 14. DERIVATIVE INTRUMENTS

The Company and its acquisition entities enter into foreign exchange forward contracts as economic hedges against the fair value of its foreign-denominated investments and loans in accordance with its foreign exchange hedging policy.

As at June 30, 2021, Clairvest had entered into foreign exchange forward contracts as hedges against its foreign-denominated investments and loans as follows:

Foreign exchange forward contracts to sell US$32.0 million (March 2021 – $81.1 million) at an average rate of Canadian $1.2964 per U.S. Dollar (March 2021 – average rate of 1.2765 per U.S. Dollar) through to May 2023. The fair value of the forward contract as at June 30, 2021 was a gain of $1.7 million (March 2021 – $1.4 million).

The fair value of foreign exchange forward contracts entered into by the Company's acquisition entities to hedge against foreign-denominated investee companies had been included in the fair value of Clairvest's investment in these acquisition entities on the consolidated statements of financial position. The net impact of foreign exchange on the investee companies are described in *note 6 and 16* under *Currency Risk.*

No collateral was funded to the counterparties for Clairvest's foreign exchange forward contracts and those of its acquisition entities as at June 30, 2021 and March 31, 2021.

## 15. CONTINGENCIES, COMMITMENTS AND GUARANTEES

In addition to the co-investment commitments described in *note 11*, the Company had the following contingencies, commitments, and guarantees:

**(a)** Clairvest has committed a total of $55.5 million (March 2021 – $55.5 million) in the Wellington Funds, all of which was unfunded as at June 30, 2021 and March 31, 2021. As a result of the sale of Wellington Financial to CIBC in January 2018, the Wellington Funds are in the process of being wound up and may no longer invest in new investments.

**(b)** 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, 2021, the Realized Amount under the Incentive Bonus Program was $0.6 million (March 2021 − $0.5 million) and had been accrued under accrued compensation expense liability. 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 $8.3 million (March 2021 − $6.3 million) accrued compensation expense liability which would only be payable to management when the corresponding realization events have occurred. The Incentive Bonus Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest, CEP IV Co-Invest, CEP V Co-Invest and CEP VI Co-Invest.

**(c)** As at June 30, 2021, the Company had an accrued liability resulting from future minimum annual lease payments for the use of office space. The detail of the lease liability recognized from April 1, 2021 is as follows:

| | |
|---|---|
| Lease liability, April 1, 2021 | **3,326** |
| Payments applied during the period | **(113)** |
| Lease liability, June 30, 2021 | **3,213** |

(1) As at June 30, 2021, the incremental borrowing rate was prime plus 1.25% per annum.

**(d)** 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.

## 16. RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return and is therefore affected by a number of risk factors.

***Fair Value Risk***

Fair value risk includes exposure to fluctuations in the fair market value of the Company's investments as described in *note 17*.

The Company’s corporate investment portfolio was diversified across 20 investee companies in 10 industries as at June 30, 2021. Concentration risk by industry and by jurisdiction, was as follows:

| | June 30, 2021 | | | | March 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| ($'000s) | Canada | United States | International(1) | Total | Canada | United States | International(1) | Total |
| Co-packing | **5,117** | **—** | **—** | **5,117** | 5,117 | — | — | 5,117 |
| Dental services | **—** | **17,993** | **—** | **17,993** | — | 14,884 | — | 14,884 |
| Equipment rental | **—** | **4,403** | **—** | **4,403** | — | 4,467 | — | 4,467 |
| Financial services | **15,632** | **—** | **—** | **15,632** | 1,782 | — | — | 1,782 |
| Gaming | **5,313** | **94,861** | **97,416** | **197,590** | 3,505 | 88,180 | 97,866 | 189,551 |
| Information technology | **9,619** | **13,951** | **—** | **23,570** | 9,619 | 13,071 | — | 22,690 |
| Marketing services | **—** | **68,290** | **—** | **68,290** | — | 80,951 | — | 80,951 |
| Renewable energy | **—** | **62,976** | **—** | **62,976** | — | 61,047 | — | 61,047 |
| Specialty aviation and defence services | **49,131** | **—** | **—** | **49,131** | 49,316 | — | — | 49,316 |
| Waste management | **—** | **40,149** | **—** | **40,149** | — | 36,009 | — | 36,009 |
| Other investments | **7** | **4,556** | **—** | **4,563** | 16 | 4,623 | — | 4,639 |
| **Total** | **84,819** | **307,179** | **97,416** | **489,414** | 69,355 | 303,232 | 97,866 | 470,453 |

(1) Includes investment in India, Chile and the UK

The Company has considered current economic events and indicators, including an estimate on the impact of COVID-19, in the valuation of its investee companies.

***Interest Rate Risk***

Fluctuations in interest rates affect the Company’s income derived from its cash, cash equivalents, temporary investments and restricted cash (“treasury funds”). For financial instruments which yield a floating interest rate, the income received is directly impacted by the prevailing interest rate. The fair value of financial instruments which yield a fixed interest rate 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.

As at June 30, 2021, $248.0 million (March 2021 – $185.8 million) of the Company’s treasury funds are held in accounts which pay interest commensurate with prime rate changes, and $35.5 million (March 2021 – $44.2 million) of the Company’s treasury funds are in guaranteed investment certificates with an average remaining duration of 0.7 years (March 2021 – 0.5 years). If interest rates were higher or lower by 0.25% per annum, and assuming the renewal rates of these guaranteed investment certificates commensurate with prime rate changes, the potential effect would have been an increase or a decrease of $0.2 million per annum to distributions and interest income on a pre-tax basis.

Certain of the Company's corporate investments are also held in the form of debentures and loans. Significant fluctuations in market interest rates can have a significant impact on the carrying value of these investments as described in *note 17*.

***Currency Risk***

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States, India, Chile and the United Kingdom. The Company may also advance 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, subject to certain exceptions, entered into hedging positions against these foreign-denominated currencies. As at June 30, 2021, the Company foreign exchange exposure with respect to the Chilean Peso and Indian Rupee are unhedged. Significant depreciation in value in these currencies could result in a material impact to the performance of Clairvest’s investment portfolio and potentially the carried interest it could earn from the CEP Funds.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact on 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.

***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, 2021, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure as at June 30 and March 31, 2021, net of any allowances for losses, were as follows:

| | June 30, 2021 | | | March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Clairvest | Acquisition entities | Total | Clairvest | Acquisition entities | Total |
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | $ **249,056** | **48,543** | **297,599** | $ 186,795 | 45,708 | 232,503 |
| Temporary investments | **55,869** | **14,003** | **69,872** | 61,014 | 20,245 | 81,259 |
| Accounts receivable[(1)] | **37,495** | **107** | **37,602** | 36,081 | 816 | 36,897 |
| Loans receivable[(2)] | **—** | **3,621** | **3,621** | 60,765 | 80 | 60,845 |
| Derivative instruments | **1,654** | **9,171** | **10,825** | 1,446 | 6,720 | 8,166 |
| Corporate investments[(3)] | **—** | **17,847** | **17,847** | — | 19,036 | 19,036 |
| | $ **344,074** | **93,292** | **437,366** | $ 346,101 | 92,605 | 438,706 |

(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 are 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 June 30, 2021, the Company and the Company's acquisition entities held derivative instruments which had net mark-to-market gain of $10.8 million (March 2021 – $8.2 million). The Company believes the counterparty risk with respect to its and its acquisition entities' derivative instruments is minimal.

The Company manages credit risk on treasury funds by conducting activities in accordance with the fixed income securities policy which 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 of the Company's treasury funds, including those of its acquisition entities, based on the Dominion Bond Rating Services rating scale, with the exception of corporate bonds and loans which are based on the Standard and Poor's rating scale, were as follows:

| ($'000s) | June 30, 2021 Clairvest | Acquisition entities | Total | March 31, 2021 Clairvest | Acquisition entities | Total |
|---|---|---|---|---|---|---|
| **Cash** | **219,733** | **34,083** | **253,816** | 159,178 | 37,200 | 196,378 |
| **Money market savings accounts** | | | | | | |
| AA | **29,324** | **14,461** | **43,785** | 27,617 | 8,508 | 36,125 |
| **Guaranteed investment certificates and investment savings accounts** | | | | | | |
| AA+ | **5,572** | **—** | **5,572** | 3,050 | — | 3,050 |
| AA | **22,581** | **2,002** | **24,583** | 39,072 | 7,929 | 47,001 |
| AA- | **875** | **—** | **875** | 870 | — | 870 |
| A+(1) | **100** | **—** | **100** | — | — | — |
| A- | **4,975** | **60** | **5,035** | 301 | 60 | 361 |
| BBB-(1) | **302** | **—** | **302** | 302 | — | 302 |
| Not rated(1) | **1,056** | **—** | **1,056** | 653 | 404 | 1,057 |
| **Corporate bonds** | | | | | | |
| **Limited recourse capital notes** | | | | | | |
| BBB | **2,101** | **—** | **2,101** | 2,052 | — | 2,052 |
| BB+ | **4,192** | **—** | **4,192** | 2,121 | — | 2,121 |
| **Other fixed income securities** | | | | | | |
| Not rated(2) | **14,114** | **11,940** | **26,054** | 12,593 | 11,852 | 24,445 |
| **Total cash, cash equivalents and fixed income securities** | **304,925** | **62,546** | **367,471** | 247,809 | 65,953 | 313,762 |

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

(2) Comprised other fixed income securities as permitted by the Company's treasury policy which in aggregate may not exceed 10% of book value and with no single issue greater than 1.5% of book value.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off statement of financial position arrangements are described in *note 14*. 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 Incentive Bonus Program are only due upon cash realization or completion of the respective vesting periods. Total unfunded commitments to co-invest alongside the CEP Funds, as described in *note 15* were $291.6 million as at June 30, 2021 (March 2021 − $332.3 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.

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 a $100.0 million credit facility which was undrawn as at June 30, 2021.

As at June 30, 2021, Clairvest had treasury funds, inclusive of those held at acquisition entities, of $404.0 million (March 2021 – $345.3 million) and access to $100.0 million (March 2021 – $100.0 million) in credit to support its current and anticipated corporate investments. Clairvest also had access to $0.8 billion (March 2021 – $0.8 billion) in uncalled committed third-party capital through the CEP Funds as at June 30, 2021 to invest along with Clairvest's capital.

## 17. 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*. All other financial instruments, including receivables and payables, were short-term in nature.

### (a) **Fair value hierarchy**

The Company classifies financial instruments measured at FVTPL 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<br>Quoted corporate bonds<br>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)<br>Guaranteed investment certificates<br>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<br>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, 2021 | | | | March 31, 2021 |
|---|---|---|---|---|---|
| | Fair value measurements using | | | | |
| | Level 1 | Level 2 | Level 3 | Assets / liabilities at fair value | Assets / liabilities at fair value |
| **Financial assets** | | | | | |
| Cash equivalents | | | | | |
| Investment savings accounts | 29,324 | — | — | 29,324 | 27,617 |
| | 29,324 | — | — | 29,324 | 27,617 |
| Temporary investments | | | | | |
| Guaranteed investment certificates | — | 35,463 | — | 35,463 | 44,248 |
| Marketable securities | 36,522 | — | — | 36,522 | 31,564 |
| Limited recourse capital notes | — | 6,292 | — | 6,292 | 4,173 |
| Other fixed income securities | — | — | 14,114 | 14,114 | 12,593 |
| | 36,522 | 41,755 | 14,114 | 92,391 | 92,578 |
| Derivative instruments | — | 1,654 | — | 1,654 | 1,446 |
| Corporate investments | 143,617 | — | 438,001 | 581,618 | 382,963 |
| | 209,463 | 43,409 | 452,115 | 704,987 | 504,604 |

For financial instruments which 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.

(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:

| | For the quarter ended June 30, 2021 | | | | |
|---|---|---|---|---|---|
| ($'000s) | Fair value April 1, 2021 | Net investment gain (loss) included in earnings | Purchases of assets / issuances of liabilities | Sales of assets / settlements of liabilities | Fair value June 30, 2021 |
| **Financial assets** | | | | | |
| Other fixed income securities | 12,593 | 6 | 4,015 | (2,500) | 14,114 |
| Corporate investments | 382,963 | 32,664 | 22,383 | (9) | 438,001 |
| | 395,556 | 32,670 | 26,398 | (2,509) | 452,115 |

**(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 reasonable alternative assumptions could result in different fair values. On 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 (as described in *note 6*) for which the fair values have been estimated based on assumptions that are not be 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, 2021** | Valuation techniques | Significant unobservable input | Range |
|---|---|---|---|
| Unquoted equity instruments (including warrants) or partnership units | **Public company comparables** | **EBITDA and earnings multiples** | **4.0x to 10.0x** |
| | **Recent transactions** | **n/a** | **n/a** |
| Debentures or loans not traded or other finite set of cash flows | **Discounted cash flows** | **Discount rates** | **up to 10.0% per annum** |

The most significant unobservable input for fair value measurement are earnings before interest, taxes, depreciation and amortization ("EBITDA") and the earnings multiple which is applied to the EBITDA in valuing 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, including an estimate of the potential impact of COVID-19. As at June 30, 2021, 11 investee companies were 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 have been an increase of $13.9 million or a decrease of $13.3 million to the carrying value of corporate investments and net investment gain, on a pre-tax basis, for the quarter ended June 30, 2021 (March 2021 – an increase of $12.6 million or a decrease of $10.2 million). Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies. Earnings are based on the last twelve-month EBITDA and if necessary, adjusted for any non-recurring items such as, restructuring expenses and annualized pro-forma adjustments from recently completed acquisitions. Adjustments to EBITDA may also consider forecasted impacts arising from the current economic environment or recent developments of the investee company.

Clairvest may also use information about recent transactions carried out in the market for valuations of private equity investments. When fair value is determined based on recent transaction information, 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. This technique 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 reasonable alternative assumptions that would change the fair value materially as at June 30, 2021 and March 31, 2021.

## 18. 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 investee companies;
- Achieve an appropriate risk adjusted return on capital;
- Build long-term value in its investee companies to generate superior returns; and
- Have appropriate levels of committed third-party capital available to invest alongside 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, 2021, Clairvest had no external capital requirements, other than as disclosed in *note 15*.