

CLAIRVEST GROUP INC.
NOTICE TO READER
September 30, 2015
[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	September 30	March 31
	2015	2015
ASSETS		
Cash and cash equivalents [Notes 4 and 12]	\$ 39,557	\$ 98,644
Temporary investments [Notes 4 and 15]	28,452	58,511
Accounts receivable and other assets [Notes 10[r] and 15]	22,284	15,055
Loans receivable [Notes 7 and 10]	78,313	11,451
Income taxes recoverable	2,550	120
Carried interest receivable [Note 10]	57,150	53,738
Corporate investments [Notes 7, 15 and 16]	309,169	291,421
Fixed assets [Note 8]	2,001	2,267
	\$ 539,476	\$ 531,207
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	\$ 2,375	\$ 1,820
Income taxes payable	77	69
Derivative instruments [Note 13]	1,299	4,341
Accrued compensation expense [Notes 11 and 14[h]]	4,973	6,935
Share-based compensation [Note 11]	24,746	24,528
Management participation [Note 10]	40,372	37,756
Deferred tax liability	10,624	8,064
	84,466	83,513
Contingencies, commitments and guarantees [Note 14]		
Shareholders' Equity		
Share capital [Note 9]	80,346	79,314
Retained earnings	374,664	368,380
	455,010	447,694
	\$ 539,476	\$ 531,207

[see accompanying notes to interim condensed consolidated financial statements]

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

\$000's [except per share information]	Quarter ended		Six months ended	
	September 30		September 30	
	2015	2014	2015	2014
OTHER INCOME				
Net investment gains [Note 5]	\$ 4,119	\$ 20,411	\$ 17,309	\$ 33,327
Distributions and interest income [Note 10]	3,429	8,156	7,151	10,981
Net carried interest income [Notes 6 and 10]	[314]	16,367	3,574	22,159
Management fees [Note 10[e] and 10[h]]	180	161	359	321
Advisory and other fees [Note 10[s]]	834	337	1,178	685
	8,248	45,432	29,571	67,473
EXPENSES				
Employee compensation and benefits [Notes 11 and 14[h]]	2,541	2,871	4,782	10,424
Share-based compensation expenses [Note 11]	994	3,607	6,025	4,851
Administration and other expenses	1,682	987	3,569	1,543
Finance and foreign exchange expense [recovery]	[119]	523	122	817
Management Participation [Note 10]	[270]	10,233	2,696	14,012
	4,828	18,221	17,194	31,647
Income before income taxes	3,420	27,211	12,377	35,826
Income tax expense [recovery]	538	849	1,606	[77]
NET INCOME AND COMPREHENSIVE INCOME	2,882	\$ 26,362	10,771	\$ 35,903
Basic net income per share	\$ 0.19	\$ 1.74	\$ 0.71	\$ 2.37
Fully diluted net income per share	\$ 0.19	\$ 1.74	\$ 0.71	\$ 2.37

(see accompanying notes to interim condensed consolidated financial statements)

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

\$000's	Share capital	Retained earnings	Total equity
As at April 1, 2015	\$ 79,314	\$ 368,380	\$ 447,694
Changes in equity			
Net income and comprehensive income for the period	—	10,771	10,771
	79,314	379,151	458,465
Dividends declared [\$0.2958 per share]	—	[4,487]	[4,487]
Issue of shares on exercise of stock options [Note 11]	1,032	—	1,032
As at September 30, 2015	80,346	374,664	455,010
As at April 1, 2014	\$ 79,314	\$ 320,146	\$ 399,460
Changes in equity			
Net income and comprehensive income for the period	—	35,903	35,903
	79,314	356,049	435,363
Dividends declared [\$0.2492 per share]	—	[3,771]	[3,771]
As at September 30, 2014	\$ 79,314	\$ 352,278	\$ 431,592

[see accompanying notes to interim condensed consolidated financial statements]

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

\$000's	Quarter ended		Six months ended	
	September 30		September 30	
	2015	2014	2015	2014
OPERATING ACTIVITIES				
Net income for the period	\$ 2,882	\$ 26,362	\$ 10,771	\$ 35,903
Add [deduct] items not involving a current cash outlay:				
Amortization of fixed assets	176	129	351	258
Share-based compensation expense	1,326	3,416	5,613	4,959
Deferred income tax expense [recovered]	1,500	[3,111]	2,560	[3,404]
Net investment gains	[4,119]	[20,411]	[17,309]	[33,327]
Unrealized carried interest income and management participation	126	5,805	[796]	4,792
Non-cash items relating to foreign exchange forward contracts	907	4,905	[323]	617
Non-cash items relating to corporate investments	272	[3,299]	1,427	[647]
	3,070	13,796	2,294	9,151
Adjustments for:				
Net proceeds on sale [cost on acquisition] of temporary investments	28,043	[13,537]	30,059	2,796
Loans advanced [Notes 7, 10[k], 10[l], 10[m], 10[n], 10[o], 10[p] and 10[q]]	[70,116]	[1,100]	[81,959]	[21,895]
Receipt of loans advanced [Note 7, 10[o] and 10[p]]	11,426	10,619	15,097	52,577
Loans received	—	16,754	—	19,945
Repayment of loans received	—	[23]	—	[1,028]
Cost on settlement of realized foreign exchange forward contracts	[1,832]	[9]	[2,719]	[706]
Acquisition of corporate investments	[1,051]	[1,250]	[1,866]	[11,721]
Proceeds on sale of corporate investments	—	—	—	144
Return of capital from corporate investments	—	10,054	—	10,054
Settlement of share-based compensation liability	[5,395]	[2,011]	[5,395]	[2,011]
	[38,925]	19,497	[46,783]	48,155
Net change in non-cash working capital balances related to operations [Note 12]	[8,129]	5,975	[11,058]	3,055
Cash provided by [used in] operating activities	[43,984]	39,268	[55,547]	60,361
INVESTING ACTIVITIES				
Purchase of fixed assets	[55]	[29]	[85]	[33]
Cash used in investing activities	[55]	[29]	[85]	[33]
FINANCING ACTIVITIES				
Cash dividends paid	[4,487]	[3,771]	[4,487]	[3,771]
Issuance of share capital	—	—	1,032	—
Cash used in financing activities	[4,487]	[3,771]	[3,455]	[3,771]
Net increase [decrease] in cash and cash equivalents	[48,526]	35,468	[59,087]	56,557
Cash and cash equivalents, beginning of period	88,083	72,886	98,644	51,797
Cash and cash equivalents, end of period [Note 12]	\$ 39,557	\$ 108,354	\$ 39,557	\$ 108,354
Supplemental cash flow information				
Interest received	\$ 718	\$ 767	\$ 1,491	\$ 1,519
Distributions received	\$ 876	\$ 5,784	\$ 1,605	\$ 6,586
Income taxes paid	\$ 137	\$ 1,004	\$ 1,497	\$ 1,831
Interest paid	\$ 189	\$ 189	\$ 376	\$ 376

CLAIRVEST GROUP INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015 [Tabular Dollar Amounts in Thousands]
[unaudited]

1. NATURE OF OPERATIONS

Clairvest Group Inc. [“Clairvest” or the “Company”] is a private equity investor publicly 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 Limited Partnership [“CEP”], 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”]. 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 November 12, 2015, 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, 2015 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, 2015.

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 International Accounting Standards Board [“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 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 in accordance with the amendments for investment entities under IFRS 10. Investment entities under IFRS 10 are defined as those 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."

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 [“acquisition entities”]. Accordingly, they are accounted for at fair value through profit or loss. 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”]

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, 2015. 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 fair value through profit or loss 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 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 fair value through profit or loss. The Company includes in this category amounts relating to accounts payable 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) 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.

(e) 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 meets 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 assumptions. Changes in the underlying 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 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 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 receivable and the resulting accrued liabilities for future payouts relating to these carried interest receivable at the statement of financial position date.

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 September 30, 2015 is \$75.0 million [March 2015 – \$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 September 30, 2015 was 2.70% [March 2015 – 2.85%]. The amount available under the credit facility at September 30, 2015 was \$20.0 million [March 2015 – \$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 2015 – between 0.2% and 1.1%] with a weighted average rate of pre-tax return of 0.8% per annum [March 2015 – 1.0%].

Temporary investments consist of guaranteed investment certificates and corporate bonds 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 7.7% per annum [March 2015 – between 1.7% and 8.4%] with a weighted average rate of pre-tax return of 3.9% per annum [March 2015 – 4.5%]. The composition of Clairvest's temporary investments was as follows:

	September 30, 2015			March 31, 2015
	Due in 1 year or less	Due after 1 year	Total	Total
Guaranteed investment certificates	\$ 13,798	\$ 7,630	\$ 21,428	\$ 38,288
Corporate bonds and loans	–	7,024 ^[1]	7,024 ^[1]	20,223 ^[1]
Total	\$ 13,798	\$ 14,654	\$ 28,452	\$ 58,511

^[1] During the quarter ended September 30, 2015, Centaur Gaming repaid in full the US\$10.0 million in second lien loans held by Clairvest. As at September 30, 2015, Clairvest's treasury holdings included US\$7.5 million in Light Tower Rentals Inc. corporate bonds at a fair market value of US\$5.3 million [March 2015 – US\$7.0 million] which is based on the last bid price at September 30, 2015.

5. NET INVESTMENT GAINS

Net investment gains comprised the following:

\$000's	Quarter ended September 30		Six months ended September 30	
	2015	2014	2015	2014
Net realized losses during the period	–	–	–	[2,096]
Previously recognized net unrealized losses	–	–	–	2,115
Net changes in unrealized gains during the period	4,119	20,411	17,309	33,308
	4,119	20,411	17,309	33,327

6. NET CARRIED INTEREST INCOME

Net carried interest income for the quarters and six months ended September 30 comprised the following:

\$000's	Quarter ended September 30		Six months ended September 30	
	2015	2014	2015	2014
Realized carried interest income [note 10]	160	33,741	160	33,741
Net changes in unrealized carried interest [note 10]	[474]	[17,374]	3,414	[11,582]
	[314]	16,367	3,574	22,159

7. CORPORATE INVESTMENTS

In accordance with IFRS 10, the fair value of the Company's corporate investments include 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.

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. During the second quarter of fiscal 2016, Clairvest made an investment of \$1.1 million in CEP IV Co-Invest.

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	September 30, 2015			March 31, 2015		
	Investee companies	Acquisition entity net assets [liabilities]	Total	Investee companies	Acquisition entity net assets [liabilities]	Total
Held directly by Clairvest Group Inc.	25,812	–	25,812	22,394	–	22,394
Held through the following acquisition entities:						
2141788 Ontario	44,236	20,531	64,767	42,954	20,572	63,526
CEP III Co-Invest	24,420	12,568	36,988	23,763	12,476	36,239
MIP III	977	503	1,480	952	500	1,452
CEP IV Co-Invest	179,981	[9,133]	170,848	163,978	[5,264]	158,714
MIP IV	3,489	[177]	3,312	3,238	[104]	3,134
CEP V Co-Invest	3,854	[267]	3,587	3,658	[71]	3,587
MIP V	2,552	[177]	2,375	2,422	[47]	2,375
Total	285,321	23,848	309,169	263,359	28,062	291,421

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.

\$000's	September 30, 2015	March 31, 2015
Assets		
Cash and cash equivalents	9,151	20,513
Temporary investments	12,050	10,392
Restricted cash	13,791	–
Accounts receivable and other assets	1,161	1,550
Loans receivable	22,125	10,568
Income taxes receivable	1,304	–
	59,582	43,023
Liabilities		
Accounts payable and accrued liabilities	757	503
Loans payable	22,159	35
Income taxes payable	327	6,229
Derivative Instruments	10,211	7,998
Deferred tax liability	2,280	196
	35,734	14,961
Net assets [liabilities]	23,848	28,062

Excluding the net assets [liabilities] 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	September 30, 2015			March 31, 2015		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Investments alongside CEP						
Grey Eagle Casino	4,080	1	4,079	2,709	1	2,708
Investments alongside CEP III						
Casino New Brunswick	13,902	9,798	4,104	8,324	9,798	[1,474]
Chilean Gaming Holdings ^[a]	40,894	28,754	12,140	34,703	28,754	5,949
Light Tower Rentals Inc.	1,001	2,403	[1,402]	11,629	2,403	9,226
Lyophilization Services of New England Inc.	10,008	7,451	2,557	9,380	7,451	1,929
Investments alongside CEP IV						
Centaur Gaming	59,189	14,644	44,545	50,355	14,644	35,711
Cieslok Media Inc.	9,597	4,015	5,582	7,411	4,015	3,396
County Waste of Virginia, LLC	9,265	7,308	1,957	8,210	6,690	1,520
CRS Contractors Rental Supply Limited Partnership	16,984	10,573	6,411	16,984	10,573	6,411
Davenport Land Investments ^[b]	2,898	2,196	702	3,465	3,059	406
Discovery Air Inc.	34,434	30,038	4,396	33,036	29,606	3,430
Linen King, LLC	–	–	–	809	2,525	[1,716]
Momentum Aerospace Group [formerly "Momentum Aviation Group"]	5,488	3,838	1,650	3,980	2,787	1,193
New Meadowlands Racetrack, LLC	8,572	5,580	2,992	7,942	5,580	2,362
Rivers Casino	26,863	7,508	19,355	25,362	7,508	17,854
Winters Bros. Waste Systems of CT, LLC	10,180	8,053	2,127	9,662	8,053	1,609
Investments alongside CEP V						
Winters Bros. Waste Systems of Long Island Holdings, LLC	10,234	7,215	3,019	9,713	7,215	2,498
Wellington Financial Fund III/IV/V	20,232	14,754	5,478	18,069	14,375	3,694
	283,821	164,129	119,692	261,743	165,037	96,706
Other investments	1,500	1,600	[100]	1,616	1,686	[70]
	285,321	165,729	119,592	263,359	166,723	96,636

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

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

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*]. Details of significant events of the investee companies are described below.

During the second quarter of fiscal 2016, CEP IV Co-Invest invested an additional US\$0.5 million [C\$0.6 million] for 460.36 Class B units in County Waste of Virginia, LLC [“CWV”]. At September 30, 2015, CEP IV Co-Invest held 6,942.64 Class B units in CWV which represent a 12.5% ownership interest on a fully diluted basis.

During the second quarter of fiscal 2016, CEP IV Co-Invest realized on its investment in Linen King, LLC [“Linen King”] and received proceeds of US\$0.6 million [C\$0.8 million] against its original investment of US\$2.5 million [C\$2.5 million]. Substantially all of the investment losses had been recorded in prior periods.

During the second quarter of fiscal 2016, CEP IV Co-Invest invested an additional US\$0.8 million [C\$1.1 million] for 6,237 Class A preferred shares in Momentum Aerospace Group [“MAG”]. At September 30, 2015, CEP IV Co-Invest held 32,736 Class A preferred shares in MAG which represent a 10.3% ownership interest on a fully diluted basis.

During the second quarter of fiscal 2016, \$5.8 million of \$8.1 million promissory notes previously advanced by Clairvest to Discovery Air Inc. [“Discovery Air”] were repaid and the maturity date of the remaining \$2.3 million was extended to January 15, 2016. Also during the second quarter of fiscal 2016, Clairvest agreed to guarantee up to \$10.0 million to support Discovery Air’s credit facility with its bank. As at November 12, 2015, \$4.9 million of the guarantee had been committed by Clairvest. Any additional guarantee is subject to Clairvest’s consent at its sole discretion.

During the second quarter for fiscal 2016, Clairvest committed \$30.0 million to Wellington Financial Fund V (‘‘Wellington Fund V’’), a successor fund to Wellington Financial Fund IV (‘‘Wellington Fund IV’’). Subsequent to quarter end, Wellington Fund V purchased, at fair market value, the loan portfolio of Wellington Fund IV. Also subsequent to quarter end, Wellington Fund V completed its final closing at \$300 million, with Clairvest increasing its commitment to \$30.4 million as part of the final closing. As a result of these transactions, Clairvest received a return of capital of \$14.8 million from Wellington Fund IV and invested \$14.7 million in Wellington Fund V. Clairvest is also entitled to participate in the profits of the general partner of Wellington Fund V and continues to own a residual interest in Wellington Fund IV.

8. FIXED ASSETS

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

\$000’s	Aircraft	IT equipment ^[a]	Furniture, fixtures and Equipment	Leasehold improvements	Total
As at September 30, 2015					
Cost	3,603	762	391	2,527	7,283
Accumulated amortization	[1,026]	[655]	[372]	[2,429]	[4,482]
Impairment charges	[800]	–	–	–	[800]
Net book amount	1,777	107	19	98	2,001
As at March 31, 2015					
Cost	3,603	724	391	2,480	7,198
Accumulated amortization	[848]	[638]	[368]	[2,277]	[4,131]
Impairment charges	[800]	–	–	–	[800]
Net book amount	1,955	86	23	203	2,267

^[a] Comprised computer equipment and computer software

9. SHARE CAPITAL

The Company has a normal course issuer bid enabling it to make purchases of up to 756,705 common shares in the 12-month period ending March 5, 2016. No shares were purchased for cancellation during the second quarter of fiscal 2016.

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 September 30, 2015. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation outside of the normal course issuer bid.

At September 30, 2015, 15,169,095 [March 2015 – 15,134,095] common shares were outstanding.

10. RELATED PARTY TRANSACTIONS

Transactions with CEP Funds and acquisition entities

- (a) The general partner of CEP [“CEP GP”], an entity which is controlled by Clairvest, is entitled to participate in distributions made by CEP equal to 20% of all net gains [“carried interest”] of CEP as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to principals and employees of Clairvest via a limited partnership [“Participation Partnership”], the general partner of which is Clairvest and the limited partners are principals and employees of Clairvest. The limited partners of Participation Partnership have purchased, at fair market value, units of the Participation Partnership. From time to time, additional units in Participation Partnership may be purchased by the limited partners of Participation Partnership. During the second quarter of fiscal 2016, CEP GP earned \$0.2 million [2015 - \$0.3 million] in carried interest from CEP, 50% of which or \$0.1 million [2015 - \$0.1 million] was ultimately paid to Clairvest, and the other 50% or \$0.1 million [2015 - \$0.1 million] was ultimately paid to the limited partners of Participation Partnership which reduced the management participation liability. As at September 30, 2015, CEP had declared and paid distributions to CEP GP totaling \$23.5 million [March 2015 - \$23.3 million], 50% of which or \$11.7 million [March 2015 - \$11.6 million] was ultimately paid to Clairvest and the other 50% or \$11.7 million [March 2015 - \$11.6 million] was ultimately paid to the limited partners of Participation Partnership. During the second quarter of fiscal 2015, \$42 thousand [2015 - \$76 thousand] was ultimately paid to key management.

As at September 30, 2015, if CEP were to sell all of its corporate investments at their current fair values, CEP GP would receive up to \$2.6 million [March 2015 - \$1.8 million] in carried interest from CEP. As described in *notes 2[e]*, Clairvest has recorded the \$2.6 million [March 2015 - \$1.5 million] as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of Participation Partnership, or \$1.3 million [March 2015 - \$0.9 million] recorded as a management participation liability on the consolidated statements of financial position.

- (b) As the 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 second quarter of fiscal 2016, CEP III declared to Clairvest priority distributions of \$0.4 million [2015 - \$0.4 million]. As per the Limited Partnership Agreement, fees of \$0.1 million [2015 - \$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 September 30, 2015, CEP III had declared and paid distributions to CEP III GP totaling \$33.3 million [March 2015 - \$33.3 million], 50% of which, or \$16.6 million [March 2015 - \$16.6 million], was ultimately paid to Clairvest and the other 50% or \$16.6 million [March 2015 - \$16.6 million] was ultimately paid to the limited partners of MIP III.

As at September 30, 2015, if CEP III were to sell all of its corporate investments at their current fair values, CEP III GP would receive up to \$19.3 million [March 2015 - \$21.9 million] in carried interest from CEP III. As described in *notes 2[e]*, Clairvest has recorded the \$19.3 million [March 2015 - \$21.9 million] as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of MIP III, or \$9.7 million [March 2015 - \$11.0 million] recorded as a management participation liability on the consolidated statements of financial position.

- (c) As described in *note 14[b]*, 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. As at September 30, 2015, CEP III Co-Invest had declared and paid distributions totaling \$5.8 million [March 2015 - \$5.8 million] to MIP III, \$4.1 million [March 2015 - \$4.1 million] of which represented the carried interest earned from 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 plus the first \$0.2 million in distributions received by the MIP III as described above, and any other distributions are the entitlements of the limited partners of MIP III. As at September 30, 2015, \$2.0 million [March 2015 – \$2.0 million] has been received by Clairvest.

As at September 30, 2015, if CEP III Co-Invest were to sell its corporate investments at their current fair values, the limited partners of MIP III, via the general partner of CEP III Co-Invest, would receive up to \$4.6 million [March 2015 – \$4.7 million] in carried interest from CEP III Co-Invest based on the terms described above, the amount of which has been recorded as a management participation liability on the consolidated statements of financial position.

- (d) As general partner of CEP IV, Clairvest is entitled to a priority distribution from CEP IV. Effective January 14, 2011 and to the date upon which consideration based on committed capital is payable in respect of CEP V [the “CEP IV Investment Termination Date”], the priority distribution is calculated monthly as 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 63.2% of any fees earned by Clairvest from corporate investments of CEP IV. As at September 30, 2015, the CEP IV Investment Termination Date has not been determined. During the second quarter of fiscal 2016, CEP IV declared to Clairvest priority distributions of \$1.4 million [2015 – \$1.4 million]. As per the Limited Partnership Agreement, fees of \$0.1 million [2015 – \$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 GP as at September 30, 2015.

As at September 30, 2015, if CEP IV were to sell all of its corporate investments at their current fair values, CEP IV GP would receive up to \$28.8 million [March 2015 - \$24.6 million] in carried interest from CEP IV. As described in *notes 2[e]*, Clairvest has recorded the \$28.8 million [March 2015 - \$24.6 million] as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of MIP IV, or \$14.4 million [March 2015 - \$12.3 million] recorded as a management participation liability on the consolidated statements of financial position.

- (e) As manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. Effective January 14, 2011 and to the date upon which consideration based on committed capital is payable in respect of CEP V-A [the “CEP IV-A Investment Termination Date”], the management fee is calculated monthly as 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 10.1% of fees earned by Clairvest from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement. As at September 30, 2015, the CEP IV-A Investment Termination Date has not been determined. During the second quarter of fiscal 2016, Clairvest earned management fees of \$0.2 million [2015 – \$0.2 million] as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, \$0.1 million [2015 – \$0.1 million] 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 September 30, 2015.

As at September 30, 2015, if CEP IV-A were to sell all of its corporate investments at their current fair values, CEP IV-A GP would receive up to \$6.5 million [March 2015 - \$5.4 million] in carried interest from CEP IV-A. As described in *notes 2[e]*, Clairvest has recorded the \$6.5 million [March 2015 - \$5.4 million] as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of MIP IV, or \$3.2 million [March 2015 - \$2.7 million] recorded as a management participation liability on the consolidated statements of financial position.

- (f) As described in *note 14[c]*, 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, as 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 plus the first \$0.4 million received by MIP IV as described above, and any other distributions are the entitlements of the limited partners of MIP IV. No amounts have been received by Clairvest at September 30, 2015.

As at September 30, 2015, if CEP IV Co-Invest were to sell all of its corporate investments at their current fair values, MIP IV would receive up to \$7.2 million [March 2015 - \$6.2 million] in carried interest from CEP IV Co-Invest based on the terms described above, the amount of which has been recorded as a management participation liability on the statements of financial position. To date, CEP IV Co-Invest has not made any carried interest payments to MIP IV.

- (g) As general partner of CEP V, Clairvest is entitled to a priority distribution from CEP V. The priority distribution calculated as follows: [i] from March 2, 2015 to the CEP IV Investment Termination Date, 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; [ii] from the CEP IV Investment Termination Date to the fifth anniversary of the CEP IV Investment Termination Date, 0.1667% of committed capital; and [iii] thereafter, 0.1667% of invested capital net of write-downs of capital then invested. As at September 30, 2015, the CEP IV Investment Termination Date has not been determined. During the second quarter of fiscal 2016, CEP V declared to Clairvest priority distributions of \$0.1 million.

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 GP at September 30, 2015.

- (h) As manager of CEP V-A, Clairvest is entitled to a management fee from CEP V-A. The management fee calculated as follows: [i] from March 2, 2015 to the CEP IV-A Investment Termination Date, 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; [ii] from the CEP IV-A Investment Termination Date to the fifth anniversary of the CEP IV-A Investment Termination Date, 0.1667% of committed capital; and [iii] thereafter, 0.1667% of invested capital net of write-downs of capital then invested. As at September 30, 2015, the CEP IV-A Investment Termination Date has not been determined. During the second quarter of fiscal 2016, Clairvest earned management fees of \$18 thousand as compensation for its services in the administration of the portfolio of CEP V-A.

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 September 30, 2015.

- (i) As described in *note 14[d]*, 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, as the general partner of MIP V, is entitled to participate in distributions equal to the realizable value on the \$2.4 million to be invested by MIP V in CEP IV Co-Invest plus the first \$1.4 million received by the MIP V as described above, and any other distributions are the entitlements of the limited partners of MIP V. No amounts have been received by Clairvest at September 30, 2015.

- (j) During the second quarter of fiscal 2016, the Company advanced loans totaling \$8.9 million to CEP III bearing interest at the Reference Rate in accordance with CEP III’s Limited Partnership Agreement which remained

outstanding at September 30, 2015 and were repaid in full subsequent to quarter end. Interest of \$1 thousand [2015 – \$17 thousand] was earned from loans to CEP III during the second quarter of fiscal 2016. Additionally, 2141788 Ontario had advanced to CEP III \$7.4 million in loans bearing interest at the Reference Rate in accordance with CEP III's Limited Partnership Agreement. These loans have been included in the fair value of Clairvest's acquisition entities on the consolidated statements of financial position. These loans have also been repaid in full subsequent to quarter end.

- (k) As at June 30, 2015, the Company had advanced loans totaling \$4.0 million to CEP IV bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement. Additional loans totaling \$17.7 million were made by the Company to CEP IV during the second quarter of fiscal 2016 such that \$21.7 million in loans were outstanding at September 30, 2015. \$16.4 million of these loans were repaid subsequent to quarter end. Interest of \$0.3 million [2015 – \$0.1 million] was earned from loans to CEP IV during the second quarter of fiscal 2016. Additionally, 2141788 Ontario had advanced to CEP IV \$14.7 million in loans bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement. These loans have been included in the fair value of Clairvest's acquisition entities on the consolidated statements of financial position.
- (l) As at June 30, 2015, the Company had advanced loans totaling \$0.7 million to CEP IV-A bearing interest at the Reference Rate in accordance with CEP IV-A's Limited Partnership Agreement. Additional loans totaling \$2.3 million were made by the Company to CEP IV-A during the second quarter of fiscal 2016 such that \$3.0 million in loans were outstanding at September 30, 2015. \$2.6 million of these loans were repaid subsequent to quarter end. Interest of \$50 thousand [2015 - \$20 thousand] was earned from loans to CEP IV-A during the second quarter of fiscal 2016.
- (m) During the second quarter of fiscal 2016, the Company advanced loans totaling \$17.0 million to CEP V bearing interest at the Reference Rate in accordance with CEP V's Limited Partnership Agreement, all of which remained outstanding at September 30, 2015 and were repaid in full subsequent to quarter end. Interest of \$0.3 million [2015 – nil] was earned from loans to CEP V during the second quarter of fiscal 2016.
- (n) During the second quarter of fiscal 2016, the Company advanced loans totaling \$3.2 million to CEP V-A bearing interest at the Reference Rate in accordance with CEP V-A's Limited Partnership Agreement, all of which remained outstanding at September 30, 2015 and were repaid in full subsequent to quarter end. Interest of \$54 thousand [2015 – nil] was earned from loans to CEP V-A during the second quarter of fiscal 2016.
- (o) As at June 30, 2015, the Company had advanced non-interest bearing loans totaling \$0.8 million to CEP III Co-Invest. Additional loans totaling \$3.0 million were made by the Company to CEP III Co-Invest during the second quarter of fiscal 2016. Also during the second quarter of fiscal 2016, CEP III Co-Invest repaid \$0.3 million of loans previously advanced such that \$3.5 million in loans were outstanding at September 30, 2015. The remaining balance was repaid in full subsequent to quarter end.
- (p) As at June 30, 2015, the Company had advanced non-interest bearing loans totaling \$4.7 million to CEP IV Co-Invest. Additional loans totaling US\$3.8 million [C\$5.0 million] and \$2.5 million were made by the Company to CEP IV Co-Invest during the second quarter of fiscal 2016. Also during the second quarter of fiscal 2016, CEP IV Co-Invest repaid \$2.2 million of loans previously advanced such that \$10.0 million were outstanding at September 30, 2015. Included in loans outstanding to CEP IV Co-Invest at September 30, 2015 was US\$3.8 million pertaining to funds CEP IV Co-Invest deposited in an escrow account pertaining to a potential gaming-related investment.
- (q) During the second quarter of fiscal 2016, the Company advanced non-interest bearing loans totaling US\$6.5 million [C\$8.6 million] to CEP V Co-Invest, all of which remained outstanding at September 30, 2015. Included in loans outstanding to CEP V Co-Invest at September 30, 2015 was US\$6.5 million pertaining to funds CEP IV Co-Invest deposited in an escrow account pertaining to a potential gaming-related investment.

Other related-party transactions

- (r) Included in accounts receivable and other assets at September 30, 2015 are share purchase loans made to certain officers of the Company totaling \$2.2 million [March 2015 – \$2.2 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 \$3.1 million [March 2015 – \$3.2 million]. None of these loans were made to key management [March 2015 - nil]. Also included in accounts receivable and other assets are other loans made to certain officers of a company affiliated with Clairvest totaling \$0.5 million [March 2015 – \$0.5 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 \$15 thousand was earned on the loans during the quarter. Also included in accounts receivable and other assets were receivables as follows:

	September 30, 2015	March 31, 2015
Clairvest's investee companies	3,408	2,867
CEP	1	3
CEP III	1,422	1,036
CEP IV	9,910	6,205
CEP IV-A	539	264
CEP V	2,955	1,064
CEP V-A	570	189
	18,805	11,628
Other accounts receivables and prepaid expenses	718	648
Share purchase loans and loans to officers of affiliated company	2,761	2,779
	22,284	15,055

Additionally, acquisition entities which were not consolidated by the Company as described in *note 7* held receivables from Clairvest's investee companies totaling \$0.5 million [March 2015 – \$1.2 million].

- (s) During the second quarter of fiscal 2016, Clairvest earned \$0.3 million [2015 – \$0.2 million] in distributions and interest income and \$1.1 million [2015 – \$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 \$2.4 million [2015 – \$1.7 million] in distributions and interest income, \$0.3 million [2015 – \$0.3 million] in dividend income and \$0.2 million [2015 – \$0.1 million] in advisory and other fees from its investee companies.
- (t) 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

Clairvest recognizes stock-based compensation expense based upon the fair value of the outstanding stock options at September 30, 2015 and March 31, 2015 using Black-Scholes option pricing model with the following assumptions:

As at September 30, 2015

Grant	June 21, 2006	June 27, 2007	June 30, 2009
# options granted	120,000	200,000	35,000
# of options vested	120,000	200,000	35,000
Price ⁽¹⁾	9.20	12.29	11.95
Black-Scholes assumptions used			
Expected volatility	10%	10%	10%
Expected forfeiture rate ⁽²⁾	0%	0%	0%
Expected dividend yield	0.00%	0.19%	0.27%
Risk-free interest rate	0.76%	0.78%	1.00%
Expected life [years]	0.7	1.7	3.7
Value using Black-Scholes [\$'000s]⁽³⁾	2,478	3,515	630

As at March 31, 2015

Grant	June 23, 2005	June 21, 2006	June 27, 2007	June 30, 2009
# options granted	200,000	120,000	200,000	35,000
# of options vested	200,000	120,000	200,000	35,000
Price ⁽¹⁾	8.84	9.40	12.49	12.14
Black-Scholes assumptions used				
Expected volatility	10%	10%	10%	10%
Expected forfeiture rate ⁽²⁾	0%	0%	0%	0%
Expected dividend yield	0.00%	0.29%	0.32%	0.34%
Risk-free interest rate	1.00%	0.86%	0.89%	1.10%
Expected life [years]	0.2	1.2	2.2	4.2
Value using Black-Scholes [\$'000s]⁽³⁾	3,837	2,232	3,113	560

(1) Adjusted for special dividends paid by the Company where applicable

(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 stock option plan.

(3) Share prices at September 30, 2015 and March 31, 2015 were \$29.80 and \$27.81 respectively [TSX: CVG]

The stock option plan has a cash settlement feature. Stock options granted vest at a rate of one-fifth of the grant at the end of each year over a 5 year period. As at September 30, 2015, a total of 355,000 [March 2015 – 565,000] options were outstanding under Clairvest's stock option plan, all of which have vested. As at September 30, 2015, \$6.6 million [March 2015 – \$9.7 million] has been accrued under the Company's stock option plan. For the quarter ended September 30, 2015, Clairvest recognized a stock-based compensation expense of \$0.2 million. Subsequent to quarter end, all 355,000 options were exercised, 45,000 of which were exercised for shares and 310,000 of which were exercised under the cash settlement feature.

As at September 30, 2015, a total of 240,092 [March 2015 – 229,103] Deferred Share Units ["DSUs"] were held by directors of the Company, the accrual in respect of which was \$7.4 million [March 2015 – \$6.5 million] and has been included in share-based compensation liability. For the quarter ended September 30, 2015, Clairvest recognized an expense of \$0.2 million with respect to DSUs.

As September 30, 2015, a total of 120,000 [March 2015 – 105,000] Appreciation Deferred Share Units ["ADSUs"] were held by directors of the Company, the accrual in respect of which was \$1.9 million [March 2015 – \$1.6 million] and has been included in share-based compensation liability. For the quarter ended September 30, 2015, Clairvest recognized an expense of \$0.1 million with respect to ADSUs.

As September 30, 2015, a total of 1,214,994 [March 2015 – 1,105,692] Book Value Appreciation Rights Units ["BVARs"] were held by employees and directors of Clairvest, the accrual in respect of which was \$8.9 million [March 2015 – \$6.6 million] and has been included in share-based compensation liability, and a further \$4.6 million [March 2015 - \$6.2 million] not accrued as those BVARs have not vested. For the quarter ended September 30, 2015, Clairvest recognized an expense of \$0.6 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]*, a stock option plan and a book value appreciation rights plan. Aggregate compensation paid for the quarters ended September 30 to the Co-CEOs was as follows:

[\$'000s]	Quarter ended September 30		Six months ended September 30	
	2015	2014	2015	2014
Paid:				
Salaries	163	163	326	326
Annual incentive plans ⁽¹⁾	1,220	874	1,363	3,007
Stock options	–	–	4,139	–
	1,383	1,037	5,828	3,333

(1) Includes quarterly payments from annual incentive plan of up to 21.875% of their respective annual base salary.

[\$'000s]	<u>September 30, 2015</u>	March 31, 2015
Payable:		
Annual incentive plans	1,824	2,243
Stock options	6,173	9,226
Book value appreciation rights	2,066	1,203
	<u>10,063</u>	<u>12,672</u>

Compensation paid and payable to the directors of Clairvest comprised those made under the DSU and ADSU plans as previously discussed.

12. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

[\$'000s]	<u>2015</u>	2014
Accounts receivable and other assets	[3,137]	4,252
Income taxes receivable	[1,120]	1,355
Accounts payable and accrued liabilities	[1,144]	[64]
Income taxes payable	21	1,598
Accrued compensation expense	[2,749]	[1,166]
	<u>[8,129]</u>	<u>5,975</u>

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

[\$'000s]	<u>September 30, 2015</u>	March 31, 2015
Cash	15,306	8,743
Cash equivalents	24,251	89,901
	<u>39,557</u>	<u>98,644</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 second quarter of fiscal 2016, the Company realized a \$1.8 million loss [2015 – \$9 thousand] on expired foreign exchange forward contracts which has been recorded in finance and foreign exchange expense in the consolidated statements of income.

As at September 30, 2015, the Company had entered into foreign exchange forward contracts as hedges against its direct and indirect foreign-denominated investments and loans as follows:

Foreign exchange forward contracts to sell US\$43.8 million [March 2015 – US\$28.9 million] at an average rate of Canadian \$1.3051 per U.S. dollar [March 2015 – \$1.1175] through to February 2016. The fair value of the forward contracts at September 30, 2015 is a loss of \$1.3 million [March 2015 – \$4.3 million] and has been recognized on the consolidated statements of financial position as derivative instruments liability.

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\$117.2 million [March 2015 – US\$99.9 million] and buy US\$0.6 million [March 2015 – US\$0.6 million] at an average rate of Canadian \$1.2467 per U.S. dollar [March 2015 – \$1.2010] through to August 2016. The fair value of the forward contracts at September 30, 2015 is a loss of \$10.3 million [March 2015 – \$6.8 million].

Foreign exchange forward contracts to sell 14.7 billion Chilean Pesos [“CLP”] [March 2015 – 14.7 billion] at an average rate of Canadian \$0.001909 per CLP [March 2015 – \$0.001909] through to January 2016. The fair value of these contracts at September 30, 2015 is a gain of \$0.1 million [March 2015 – loss of \$1.1 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.

Included in cash and cash equivalents on the consolidated statements of financial position at September 30, 2015, was \$9.5 million [March 2015 – \$4.9 million] Clairvest had funded to a counterparty as collateral for its foreign exchange forward contracts and those of its acquisition entities.

14. CONTINGENCIES, COMMITMENTS AND GUARANTEES

- (a) Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is \$54.7 million, \$3.5 million [March 2015 – \$3.5 million] of which remains unfunded at September 30, 2015. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if it concurrently sells a proportionate number of securities of that corporate investment held by CEP.
- (b) Clairvest, 2141788 Ontario and MIP III have committed to co-invest alongside CEP III via CEP III Co-Invest in all investments undertaken by CEP III. CEP III Co-Invest's co-investment commitment is \$75.0 million, \$15.2 million [March 2015 – \$15.2 million] of which remains unfunded at September 30, 2015. 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.
- (c) Clairvest and MIP IV have committed to co-invest alongside CEP IV and CEP IV-A via CEP IV Co-Invest in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest's co-investment commitment is \$125.0 million, \$34.5 million [March 2015 – \$36.8 million] of which remained unfunded at September 30, 2015. 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.
- (d) Clairvest, 2141788 Ontario and MIP V have committed to co-invest alongside CEP V and CEP V-A via CEP V Co-Invest in all investments undertaken by CEP V and CEP V-A. CEP V Co-Invest's co-investment commitment is \$180 million, \$169.8 million [March 2015 – \$169.9 million] of which remained unfunded at September 30, 2015. 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.
- (e) Clairvest has committed \$25.2 million to Wellington Fund IV, \$10.4 million [March 2015 – \$10.8 million] of which remained unfunded at September 30, 2015. During the quarter, Clairvest also committed \$30.0 million to Wellington Fund V, all of which remained unfunded at September 30, 2015. Refer to *note 7* for events occurring subsequent to quarter end pertaining to Wellington Fund IV and Wellington Fund V.
- (f) As at September 30, 2015, Clairvest has received profit distributions totaling \$4.6 million [March 2015 – \$4.6 million] through its ownership interest in the General Partner of Wellington Fund III and Wellington Fund IV. Subject to clawback provisions, Clairvest may be required to repay up to a net \$1.1 million [March 2015 – \$1.1 million] in the event the limited partners of Wellington Fund IV do not meet their return threshold as specified in the respective Limited Partnership Agreements. As at September 30, 2015 and March 31, 2015, there were no accruals made with respect to the clawback.
- (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 September 30, 2015, the Realized Amount under the Bonus Program was \$0.1 million [March 2015 – \$1.4 million] and has 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 \$3.2 million [March 2015 – \$2.8 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) Clairvest has guaranteed to fund any cash flow or debt service shortfalls of Casino New Brunswick for a specified period of time. At September 30, 2015, no amounts subject to this guarantee have been funded or are owing. Subsequent to quarter end, the guarantee was extinguished upon the sale of Casino New Brunswick. Refer to *note 19* for events occurring subsequent to quarter end pertaining to Casino New Brunswick.
- (j) An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at September 30, 2015, no amounts subject to this guarantee have been funded or are owing.
- (k) As part of the holding structure of Chilean Gaming Holdings, an acquisition entity of CEP III Co-Invest had loans totaling \$41.3 million at September 30, 2015 [March 2015 – \$40.7 million] from an unrelated financial institution, while another acquisition entity of CEP III Co-Invest held term deposits totaling \$41.3 million at September 30, 2015 [March 2015 – \$40.7 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 September 30, 2015.
- (l) Clairvest has agreed to guarantee up to \$10.0 million to support Discovery Air's credit facility with its bank. As at September 30, 2015, \$4.9 million of the guarantee had been committed by Clairvest. Any additional guarantee is subject to Clairvest's consent at its sole discretion.
- (m) As at September 30, 2015, the Company had future minimum annual lease payments under non-cancellable operating leases for the use of office space of \$0.4 million [March 2015 – \$0.3 million] due within one year and \$1.5 million [March 2015 – \$1.7 million] due after one year but not more than five years.
- (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 September 30, 2015, 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 September 30, 2015 and March 31, 2015, net of any allowances for losses, were as follows:

[\$'000s]	September 30 2015	March 31 2015
Financial Assets		
Cash and cash equivalents	39,557	98,644
Temporary investments	28,452	58,511
Accounts receivable ^[1]	21,604	14,408
Loans receivable ^[2]	56,154	6,732
Corporate investments ^[3]	285,321	263,359
	431,088	441,654
Financial Liabilities		
Accounts payable	143	315
Derivative instruments	1,299	4,341
	1,442	4,656

[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 acquisition entities, 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 credit risk on cash, cash equivalents and temporary investments ["treasury funds"] 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:

[\$'000s]	September 30 2015	March 31 2015
Cash	15,306	8,743
Money market savings accounts		
R1-High	8,622	41,262
Guaranteed investment certificates and investment savings accounts		
AA	33,913	76,603
A+	2,544	2,534
A	200	7,588
BBB+ ^[1]	100	101
BBB ^[1]	100	—
BBB- ^[1]	100	—
Not rated ^[1]	100	101
Corporate bonds and loans		
B ^[2]	7,024	20,223
Total cash, cash equivalents and temporary investments	68,009	157,155

(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 September 30, 2015.

The Company's investee companies are diversified across 17 companies in 8 industries and 3 countries as at September 30, 2015. Concentration risk by industry and by country, was as follows:

[\$'000s]	September 30, 2015				March 31, 2015			
	Canada	United States	Chile	Fair value	Canada	United States	Chile	Fair value
Contract manufacturing	—	10,008	—	10,008	—	9,380	—	9,380
Defense services	17,217	5,488	—	22,705	16,518	3,980	—	20,498
Equipment rental	16,984	1,001	—	17,985	16,984	11,629	—	28,613
Financial services	20,232	—	—	20,232	18,069	—	—	18,069
Gaming	17,982	94,624	40,894	153,500	11,033	83,659	34,703	129,395
Outdoor advertising	9,597	—	—	9,597	7,411	—	—	7,411
Specialty aviation	17,217	—	—	17,217	16,518	—	—	16,518
Textile rental service	—	—	—	—	—	809	—	809
Waste management	—	29,679	—	29,679	—	27,585	—	27,585
Other	1,500	2,898	—	4,398	1,616	3,465	—	5,081
Total	100,729	143,698	40,894	285,321	88,149	140,507	34,703	263,359

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 hedge 100% of the fair value of its foreign-denominated investments and loans unless a specific exemption is approved by the Board of Directors.

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 \$223.0 million as at September 30, 2015 [March 2015 – \$233.3 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 \$10.4 million and \$30.0 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 September 30, 2015, Clairvest had treasury funds of \$68.0 million [March 2015 – \$157.2 million] and access to \$95.0 million [March 2015 - \$95.0 million] through its credit facilities to support its current and anticipated corporate investments. Clairvest also has access to \$21.2 million [March 2015 - \$30.9 million] in treasury funds held by acquisition entities of Clairvest.

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]	September 30, 2015				March 31, 2015
	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	8,622	—	—	8,622	48,639
Money market savings accounts	15,629	—	—	15,629	41,262
	24,251	—	—	24,251	89,901
Temporary investments					
Guaranteed investment certificates	—	21,428	—	21,428	38,288
Corporate bonds and loans	—	7,024	—	7,024	20,223
	—	28,452	—	28,452	58,511
Corporate investments					
	—	142	309,027	309,169	291,421
	24,251	28,594	309,027	361,872	439,833
[\$'000s]	September 30, 2015				March 31, 2015
	Fair value measurements using			Assets / liabilities at fair value	Assets / liabilities at fair value
	Level 1	Level 2	Level 3		
Financial liabilities					
Derivative instruments					
	—	1,299	—	1,299	4,341
	—	1,299	—	1,299	4,341

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 September 30, 2015, 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:

		For the quarter ended September 30, 2015					
[\$'000s]		Fair value July 1, 2015	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 September 30, 2015	Unrealized gains [losses] and foreign exchange revaluations included in earnings for assets and liabilities for the quarter ended September 30, 2015 for positions still held
Financial assets							
Corporate investments		304,119	3,857	1,051	—	309,027	3,857
		304,119	3,857	1,051	—	309,027	3,857
		For the six months ended September 30, 2015					
[\$'000s]		Fair value April 1, 2015	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 September 30, 2015	Unrealized gains [losses] and foreign exchange revaluations included in earnings for assets and liabilities for the quarter ended September 30, 2015 for positions still held
Financial assets							
Corporate investments		291,312	15,859	1,856	—	309,027	15,859
		291,312	15,859	1,856	—	309,027	15,859

[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 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:

September 30, 2015	Valuation techniques	Significant unobservable input	Range
Unquoted equity instruments [including warrants] or partnership units	Public company comparables	EBITDA multiples	5.1x to 8.2x
	Recent transactions	n/a	n/a
Corporate bonds, debentures or loans not traded	Discounted cash flows	Discount rates	8.0% to 15.0%

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 \$17.0 million or decrease

of \$15.9 million to the carrying value of corporate investments and net investment gains, on a pre-tax basis for the quarter ended September 30, 2015. 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 September 30, 2015 and March 31, 2015.

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 September 30, 2015, 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.

19. SUBSEQUENT EVENTS

Subsequent to quarter end, Clairvest and CEP III completed the sale of Casino New Brunswick ["CNB"]. Clairvest held its investment in CNB through CEP III Co-Invest. The final sale price of CNB, subject to working capital adjustments, was \$95.7 million. On closing and after repayment of third party debt, CEP III Co-Invest received gross proceeds of \$14.4 million, compared to a cost of \$9.8 million. Gross proceeds included full repayment of debentures, equity distributions as well as interest and fees. As part of the transaction, rather than an escrow holdback, 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. The results of this transaction have been recognized during the quarter ended September 30, 2015.