

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

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

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

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

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

<b>\$000's</b>	<b>September 30</b>	<b>March 31</b>
	<b>2016</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents [Notes 4, 12, and 15]	\$ 76,009	\$ 65,250
Temporary investments [Notes 4 and 15]	11,122	21,793
Accounts receivable and other assets [Notes 10[m] and 15]	26,040	27,446
Loans receivable [Note 10[1]]	21,699	30,563
Income taxes recoverable	5,709	4,888
Derivative instruments [Note 13]	—	581
Carried interest receivable [Note 10]	73,685	64,009
Corporate investments [Notes 7, 15 and 16]	379,261	353,801
Fixed assets [Notes 8 and 10[o]]	1,671	1,860
	<b>\$ 595,196</b>	<b>\$ 570,191</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,852	\$ 2,501
Income taxes payable	156	110
Derivative instruments [Note 13]	11	—
Accrued compensation expense [Notes 11 and 14[h]]	6,102	6,860
Share-based compensation [Note 11]	17,754	17,083
Management participation [Note 10]	50,868	43,977
Deferred income tax liability	15,281	14,139
	<b>93,024</b>	<b>84,670</b>
Contingencies, commitments and guarantees [Note 14]		
<b>Shareholders' Equity</b>		
Share capital [Note 9]	81,554	81,662
Retained earnings	420,618	403,859
	<b>502,172</b>	<b>485,521</b>
	<b>\$ 595,196</b>	<b>\$ 570,191</b>

[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 September 30		Six months ended September 30	
	2016	2015	2016	2015
<b>REVENUE</b>				
Net investment gains [Note 5]	\$ 10,521	\$ 3,943	\$ 24,759	\$ 16,543
Distributions and interest income [Notes 4 and 10]	3,755	3,429	9,132	7,151
Net carried interest income [Notes 6 and 10]	5,192	[314]	9,908	3,574
Management fees [Notes 10[e] and 10[h]]	324	180	649	359
Advisory and other fees [Note 10[n]]	375	834	753	1,178
	<b>20,167</b>	8,072	<b>45,201</b>	28,805
<b>EXPENSES</b>				
Employee compensation and benefits [Notes 11 and 14[h]]	2,575	2,541	5,454	4,782
Share-based compensation expenses [Note 11]	849	994	6,611	6,025
Administration and other expenses	938	1,506	2,345	2,803
Finance and foreign exchange expense [recovery]	105	[119]	[63]	122
Management Participation [Note 10]	3,574	[270]	6,891	2,696
	<b>8,041</b>	4,652	<b>21,238</b>	16,428
Income before income taxes	12,126	3,420	23,963	12,377
Income tax expense	1,606	538	1,869	1,606
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<b>\$ 10,520</b>	\$ 2,882	<b>\$ 22,094</b>	10,771
Basic and fully diluted net income and comprehensive income per share	<b>\$ 0.69</b>	\$ 0.19	<b>\$ 1.45</b>	\$ 0.71

[see accompanying notes to interim condensed consolidated financial statements]

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

<b>\$000's</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total shareholders' equity</b>
<b>As at April 1, 2016</b>	<b>\$ 81,662</b>	<b>\$ 403,859</b>	<b>\$ 485,521</b>
Changes in shareholders' equity			
Net income and comprehensive income for the period		22,094	22,094
		425,953	507,615
Dividends declared [\$0.3191 per share]		[4,855]	[4,855]
Shares cancelled [Note 9]	[108]	[480]	[588]
<b>As at September 30, 2016</b>	<b>\$ 81,554</b>	<b>\$ 420,618</b>	<b>\$ 502,172</b>
<b>As at April 1, 2015</b>	<b>\$ 79,314</b>	<b>\$ 368,380</b>	<b>\$ 447,694</b>
Changes in shareholders' equity			
Net income and comprehensive income for the period		10,771	10,771
		379,151	458,465
Dividends declared [\$0.2958 per share]		[4,487]	[4,487]
Issuance of shares on exercise of stock options	1,032		1,032
<b>As at September 30, 2015</b>	<b>\$ 80,346</b>	<b>\$ 374,664</b>	<b>\$ 455,010</b>

[see accompanying notes to interim condensed consolidated financial statements]

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

<b>\$000's</b>	<b>Quarters ended</b>		<b>Six months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>				
Net income and comprehensive income for the period	\$ 10,520	\$ 2,882	\$ 22,094	\$ 10,771
Add [deduct] items not involving a current cash outlay:				
Amortization of fixed assets	103	176	209	351
Share-based compensation expense	1,426	1,326	7,504	5,613
Deferred income tax expense	1,580	1,500	1,142	2,560
Net investment gains	[10,521]	[3,943]	[24,759]	[16,543]
Unrealized carried interest income and management participation	[1,386]	126	[2,785]	[796]
Non-cash items relating to foreign exchange forward contracts	122	907	68	[323]
Non-cash items relating to corporate investments	[297]	96	[613]	661
	<u>1,547</u>	<u>3,070</u>	<u>2,860</u>	<u>2,294</u>
Adjustments for:				
Net proceeds on sale of temporary investments	11,005	28,043	10,671	30,059
Loans advanced [Note 10[1]]	[22,232]	[70,116]	[24,995]	[81,959]
Receipt of loans advanced [Note 10[1]]	30,415	11,426	33,859	15,097
Proceeds [cost] on settlement of realized foreign exchange forward contracts	523	[1,832]	524	[2,719]
Acquisition of corporate investments	[88]	[1,051]	[88]	[1,866]
Settlement of share-based compensation liability	[6,833]	[5,395]	[6,833]	[5,395]
	<u>12,790</u>	<u>[38,925]</u>	<u>13,138</u>	<u>[46,783]</u>
Net change in non-cash working capital balances related to operations [Note 12]	1,389	[8,129]	224	[11,058]
<b>Cash provided by [used in] operating activities</b>	<u>15,726</u>	<u>[43,984]</u>	<u>16,222</u>	<u>[55,547]</u>
<b>INVESTING ACTIVITIES</b>				
Purchase of fixed assets	—	[55]	[20]	[85]
<b>Cash used in investing activities</b>	<u>—</u>	<u>[55]</u>	<u>[20]</u>	<u>[85]</u>
<b>FINANCING ACTIVITIES</b>				
Cash dividends paid	[4,855]	[4,487]	[4,855]	[4,487]
Cancellation of common shares	[588]	—	[588]	—
Issuance of share capital	—	—	—	1,032
<b>Cash used in financing activities</b>	<u>[5,443]</u>	<u>[4,487]</u>	<u>[5,443]</u>	<u>[3,455]</u>
<b>Net increase [decrease] in cash and cash equivalents</b>	<u>10,283</u>	<u>[48,526]</u>	<u>10,759</u>	<u>[59,087]</u>
Cash and cash equivalents, beginning of period	65,726	88,083	65,250	98,644
<b>Cash and cash equivalents, end of period [Note 12]</b>	<u>\$ 76,009</u>	<u>\$ 39,557</u>	<u>\$ 76,009</u>	<u>\$ 39,557</u>
<b>Supplemental cash flow information</b>				
Interest received	\$ 613	\$ 718	\$ 962	\$ 1,491
Distributions received	\$ 3,407	\$ 876	\$ 5,377	\$ 1,605
Income taxes paid	\$ 1,407	\$ 137	\$ 1,634	\$ 1,497
Interest paid	\$ 189	\$ 189	\$ 375	\$ 376

## **CLAIRVEST GROUP INC.**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*September 30, 2016 [Tabular Dollar Amounts in Thousands]*

*[unaudited]*

#### **1. NATURE OF OPERATIONS**

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

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

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of presentation**

The unaudited interim condensed consolidated financial statements ["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 10, 2016, the date the Board of Directors authorized the issuance of these unaudited interim condensed consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending March 31, 2017 could result in restatement of these unaudited interim condensed consolidated financial statements.

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

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

##### **Basis of consolidation**

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

##### **[I] Consolidated subsidiaries**

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

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

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

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

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

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

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

- 2141788 Ontario Corporation [“2141788 Ontario”]
- 2486303 Ontario Inc. [“2486303 Ontario”]
- CEP III Co-Investment Limited Partnership [“CEP III Co-Invest”]
- MIP III Limited Partnership [“MIP III”]
- CEP IV Co-Investment Limited Partnership [“CEP IV Co-Invest”]
- MIP IV Limited Partnership [“MIP IV”]
- CEP V Co-Investment Limited Partnership [“CEP V Co-Invest”]
- 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, 2016. The Company has consistently applied the following accounting policies throughout all periods presented in these unaudited interim condensed consolidated financial statements, as if these policies had always been in effect.

## **(a) Classification and recognition of financial instruments**

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

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

This category is further divided into the following:

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

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

### ***Loans and receivables***

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

### ***Other financial liabilities***

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

## **(b) Temporary investments and corporate investments**

The Company carries its temporary investment and its corporate investments at fair value. When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, the fair value of an investment quoted on an active market 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; interest rate; current market price; expected dividends; and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants,



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

**(c) Income recognition**

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

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

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

**(e) Entitlements of partners of a limited partnership**

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

**(f) Critical accounting estimates, assumptions and judgments**

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

**Determination of investment entity**

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

### **Fair value of financial instruments**

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

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

### **Recognition of carried interest and corresponding expenses**

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

### **Income taxes**

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

## **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, 2016 was \$75.0 million [March 2016 – \$75.0 million]. No amounts were drawn during the quarter.

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

## **4. CASH EQUIVALENTS AND TEMPORARY INVESTMENTS**

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

Temporary investments consist of guaranteed investment certificates which have maturities greater than 90 days from the date of acquisition and through to September 2017. The yield on these investments ranges between 1.5% and 2.1% per annum [March 2016 – between 1.6% and 7.8%] with a weighted average rate of pre-tax return of 1.9% per annum [March 2016 – 3.6%]. The composition of Clairvest's temporary investments was as follows:

\$000's	September 30, 2016			March 31, 2016
	Due in 1 year or less	Due after 1 year	Total	Total
Guaranteed investment certificates	11,122	–	11,122	16,336
Corporate bonds and loans <sup>[1]</sup>	–	–	–	5,457
<b>Total</b>	<b>11,122</b>	<b>–</b>	<b>11,122</b>	<b>21,793</b>

<sup>[1]</sup> During the quarter ended September 30, 2016, Clairvest sold its treasury investment of US\$7.5 million in Light Tower Rentals, Inc. corporate bonds for US\$3.6 million [C\$4.7 million]. The Company recorded a net realized loss of \$1.2 million on the sale during the quarter which is included in distributions and interest income.

Additionally, Clairvest's acquisition entities held \$41.9 million [March 2016 – \$34.9 million] in cash and cash equivalents and \$5.7 million [March 2016 – \$10.5 million] in temporary investments as described in *note 7*.

## 5. NET INVESTMENT GAINS

Net investment gains for the quarters ended September 30, 2016 and 2015 comprised entirely of net changes in unrealized gains on corporate investments as described in *note 7*.

## 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	
	2016	2015	2016	2015
Realized carried interest income [Note 10]	232	160	232	160
Net changes in unrealized carried interest [Note 10]	4,960	[474]	9,676	3,414
	<b>5,192</b>	<b>[314]</b>	<b>9,908</b>	<b>3,574</b>

## 7. CORPORATE INVESTMENTS

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

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

\$000's	September 30, 2016			March 31, 2016		
	Investee companies	Acquisition entity net assets [liabilities]	Total	Investee companies	Acquisition entity net assets [liabilities]	Total
Held directly by Clairvest Group Inc.	26,327	–	26,327	26,071	–	26,071
Held through the following acquisition entities:						
2141788 Ontario	48,291	24,766	73,057	40,223	27,060	67,283
2486303 Ontario	10,246	[10,098]	148	10,272	[10,424]	[152]
CEP III Co-Invest	24,047	14,957	39,004	22,152	16,486	38,638
MIP III	963	599	1,562	886	660	1,546
CEP IV Co-Invest	212,076	[3,358]	208,718	193,458	[2,917]	190,541
MIP IV	3,995	[63]	3,932	3,649	[55]	3,594
CEP V Co-Invest	24,207	50	24,257	25,607	[1,563]	24,044
MIP V	2,251	5	2,256	2,381	[145]	2,236
<b>Total</b>	<b>352,403</b>	<b>26,858</b>	<b>379,261</b>	<b>324,699</b>	<b>29,102</b>	<b>353,801</b>

2141788 Ontario, a limited partner of CEP III Co-Invest and CEP V Co-Invest, is a wholly-owned acquisition entity of Clairvest. 2486303 Ontario is a wholly-owned acquisition entity of Clairvest which is the sole limited partner and a 50% general partner of Clairvest Equity Partners Limited Partnership [“CEP”] which was an investment fund held by third party investors prior to being purchased by 2486303 Ontario. 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]*. During the second quarter of fiscal 2017, Clairvest made an additional investment of \$0.1 million in CEP IV Co-Invest and 2141788 Ontario made an additional investment of \$5.5 million in CEP V Co-Invest.

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

\$000’s	September 30, 2016	March 31, 2016
<b>Assets</b>		
Cash and cash equivalents	41,912	34,901
Temporary investments	5,691	10,501
Accounts receivable and other assets	758	2,426
Loans receivable	–	3,095
Income taxes recoverable	2,554	2,184
Derivative instruments	–	6,165
Deferred income tax asset	–	92
	<u>50,915</u>	<u>59,364</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,543	3,736
Loans payable	15,684	22,223
Income taxes payable	221	37
Derivative instruments	1,140	–
Deferred income tax liability	5,469	4,266
	<u>24,057</u>	<u>30,262</u>
<b>Net assets</b>	<u>26,858</u>	<u>29,102</u>

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

\$000's	September 30, 2016			March 31, 2016		
	Fair value	Cost	Difference	Fair value	Cost	Difference
<b>Investments made by CEP III Co-Invest alongside CEP III</b>						
Chilean Gaming Holdings <sup>[1]</sup>	48,789	28,754	20,035	43,674	28,754	14,920
Light Tower Rentals Inc.	–	–	–	–	2,403	[2,403]
Lyophilization Services of New England Inc.	16,009	6,915	9,094	16,017	7,077	8,940
<b>Investments made by CEP IV Co-Invest alongside CEP IV</b>						
Centaur Gaming	77,916	14,644	63,272	68,672	14,644	54,028
Cieslok Media Inc.	12,384	4,015	8,369	10,640	4,015	6,625
County Waste of Virginia, LLC	17,376	7,533	9,843	11,981	7,308	4,673
CRS Contractors Rental Supply Limited Partnership	21,511	10,573	10,938	22,009	10,573	11,436
Davenport Land Investments <sup>[2]</sup>	2,925	2,196	729	2,858	2,196	662
Discovery Air Inc.	30,231	31,770	[1,539]	30,685	32,243	[1,558]
Momentum Aerospace Group	5,934	3,838	2,096	5,600	3,838	1,762
New Meadowlands Racetrack, LLC	10,135	6,444	3,691	8,551	5,580	2,971
Rivers Casino	27,653	7,508	20,145	26,202	7,508	18,694
Winters Bros. Waste Systems of CT, LLC	10,006	8,053	1,953	9,907	8,053	1,854
<b>Investments made by CEP V Co-Invest alongside CEP V</b>						
Accel Entertainment Inc.	15,858	15,978	[120]	12,646	12,910	[264]
Digital Media Solutions, LLC	8,066	8,254	[188]	7,987	8,254	[267]
Winters Bros. Waste Systems of Long Island Holdings, LLC	11,037	8,236	2,801	10,927	8,236	2,691
Grey Eagle Casino	14,041	11,017	3,024	14,076	11,017	3,059
Wellington Financial <sup>[3]</sup>	21,313	14,631	6,682	20,852	14,631	6,221
	<b>351,184</b>	<b>190,359</b>	<b>160,825</b>	<b>323,284</b>	<b>189,240</b>	<b>134,044</b>
Other investments	1,219	1,308	[89]	1,415	1,486	[71]
	<b>352,403</b>	<b>191,667</b>	<b>160,736</b>	<b>324,699</b>	<b>190,726</b>	<b>133,973</b>

<sup>[1]</sup> Comprised Clairvest's indirect investment in Casino Marina del Sol, Casino Osorno and Casino Sol Calama

<sup>[2]</sup> Comprised two entities which hold real estate surrounding a casino in Davenport, Iowa ["Davenport North" and "Davenport South"].

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

During the second quarter of fiscal 2017, the fair value of Clairvest's investee companies increased an aggregate \$14.7 million, comprised \$3.5 million in net investments, \$7.5 million in net changes in unrealized gains, \$3.3 million in foreign exchange revaluations, and \$0.4 million in accrued interest on debt investments. The cost and fair value of investee companies do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as economic hedges against these investments [refer to *note 13*]. For those investments which were hedged by acquisition entities, the fair value of these foreign exchange forward contracts was included in the net assets [liabilities] of these acquisition entities. Details of significant events of the investee companies are described below.

During the second quarter of fiscal 2017, CEP III Co-Invest realized on its investment in Light Tower Rentals Inc. ["Light Tower Rentals"], which had a carrying value of nil since December 2015. Over the life of this investment, CEP III Co-Invest received total proceeds of US\$37.9 million [C\$40.7 million] against its original investment of US\$8.1 million [C\$8.2 million] in Light Tower Rentals.

During the second quarter of fiscal 2017, CEP IV Co-Invest invested an additional US\$0.2 million [C\$0.2 million] for 174.3 units in Spare Lots, LLC ["Spare Lots"], a company affiliated with County Waste of Virginia, LLC ["CWV"]. At September 30, 2016, CEP IV Co-Invest held 6,942.64 Class B units in CWV and 174.3 units in Spare Lots which collectively represent a 12.5% ownership interest on a fully diluted basis.

During the second quarter of fiscal 2017 the maturity date of the \$2.3 million promissory notes issued by Discovery Air Inc. ["Discovery Air"] to Clairvest was extended to December 15, 2016. Also during the second quarter of fiscal 2017, \$0.5 million of \$2.2 million secured revolving credit facility advanced by CEP IV Co-Invest to Discovery Air were repaid such

that \$1.7 million remained outstanding at September 30, 2016. Subsequent to quarter end, Discovery Air repaid an additional \$0.4 million of the secured revolving credit facility provided by CEP IV Co-Invest.

During the second quarter of fiscal 2017, CEP IV Co-Invest invested an additional US\$0.6 million [C\$0.8 million] in New Meadowlands Racetrack, LLC [“NMR”] in the form of preferred debt with a stated interest of 3% per annum which is payable-in-kind. At September 30, 2016, CEP IV Co-Invest had advanced US\$0.7 million [C\$0.9 million] in preferred debt in addition to US\$5.4 million [C\$5.6 million] in debentures with a stated interest of 15% per annum which is payable-in-kind.

During the second quarter of fiscal 2017, CEP V Co-Invest invested an additional US\$2.4 million [C\$3.1 million] in Accel Entertainment, Inc. [“Accel Entertainment”] pursuant to a post-closing purchase price adjustment. At September 30, 2016, CEP V Co-Invest held 283,478 Class D preferred shares in Accel Entertainment representing an 8.1% ownership interest on a fully diluted basis.

## 8. FIXED ASSETS

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

\$000's	Aircraft	IT equipment <sup>(1)</sup>	Furniture, fixtures and equipment	Leasehold improvements	Total
<b>As at September 30, 2016</b>					
Cost	3,603	801	460	2,605	7,469
Accumulated amortization	[2,182]	[753]	[389]	[2,474]	[5,798]
<b>Net book amount</b>	<b>1,421</b>	<b>48</b>	<b>71</b>	<b>131</b>	<b>1,671</b>
<b>As at March 31, 2016</b>					
Cost	3,603	801	460	2,585	7,449
Accumulated amortization	[2,004]	[749]	[377]	[2,459]	[5,589]
<b>Net book amount</b>	<b>1,599</b>	<b>52</b>	<b>83</b>	<b>126</b>	<b>1,860</b>

<sup>(1)</sup> Comprised computer equipment and computer software.

## 9. SHARE CAPITAL

The Company has a normal course issuer bid outstanding enabling it to make purchases of up to 760,704 common shares in the 12-month period ending March 6, 2017. During the second quarter of fiscal 2017, the Company purchased and cancelled 20,000 common shares under this normal course issuer bid for an aggregate cost of \$0.6 million. In total, 3,449,895 common shares at a cost of \$35.9 million have been purchased under all previous normal course issuer bids as at September 30, 2016. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation outside of the normal course issuer bid for an aggregate cost of \$32.4 million.

At September 30, 2016, 15,194,095 [March 2016 – 15,214,095] common shares were outstanding.

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

## 10. RELATED PARTY TRANSACTIONS

- (a) The general partner of CEP, an entity which is controlled by Clairvest, is entitled to participate in distributions made by CEP equal to 20% of all net gains [a “20% carried interest”] of CEP as governed by its limited partnership agreement. Effective December 21, 2015, 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to 2486303 Ontario. During the second quarter of fiscal 2017, the general partner of CEP earned \$0.2 million in carried interest from CEP, 50% of which or \$0.1 million was ultimately paid to Clairvest, and the other 50% or \$0.1 million was ultimately paid to 2486303 Ontario.
- (b) As general partner of CEP III, Clairvest is entitled to a priority distribution from CEP III. Effective January 13, 2011, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of fees earned by Clairvest from corporate

investments of CEP III. During the second quarter of fiscal 2017, CEP III declared to Clairvest priority distributions of \$0.2 million [2016 – \$0.4 million]. As per the Limited Partnership Agreement, fees of \$41 thousand [2016 – \$61 thousand] 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, 2016, CEP III had declared and paid distributions to CEP III GPs totaling \$38.7 million [March 2016 – \$38.7 million], 50% of which, or \$19.4 million [March 2016 – \$19.4 million], was ultimately paid to Clairvest and the other 50% or \$19.4 million [March 2016 – \$19.4 million], was ultimately paid to the limited partners of MIP III. No amounts were declared by CEP III to the CEP III GPs during the quarter ended September 30, 2016.

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

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

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

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

- (e) As manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. Effective January 14, 2016, the management fee is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by Clairvest from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement. During the second quarter of fiscal 2017, Clairvest earned management fees of \$0.1 million [2016 – \$0.2 million] as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, \$39 thousand [2016 – \$59 thousand] was netted against the management fees.

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

- (f) As described in *note 14[b]*, Clairvest is required to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle

for this purpose. CEP IV Co-Invest has two limited partners, Clairvest and MIP IV. MIP IV has invested \$1.6 million in CEP IV Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP IV Co-Invest via the general partner of CEP IV Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$0.4 million in carried interest received by MIP IV, and the remaining carried interest is the entitlement of the limited partners of MIP IV. No carried interest has been declared and paid by CEP IV Co-Invest as at September 30, 2016.

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

- (g) As general partner of CEP V, Clairvest is entitled to a priority distribution from CEP V. The priority distribution is calculated monthly as follows: from January 14, 2016 to January 13, 2021, 0.1667% of committed capital, and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 58.8% of any fees earned by Clairvest from corporate investments of CEP V. During the second quarter of fiscal 2017, CEP V declared to Clairvest priority distributions of \$1.7 million [2016 – \$0.1 million]. As per the Limited Partnership Agreement, fees of \$38 thousand [2016 – nil] from corporate investments of CEP V were netted against the priority distributions.

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

- (h) As manager of CEP V-A, Clairvest is entitled to a management fee from CEP V-A. The management fee is calculated monthly as follows: from January 14, 2016 to January 13, 2021, 0.1667% of committed capital, and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 11.2% of fees earned by Clairvest from corporate investments of CEP V-A and other amounts as provided in the Limited Partnership Agreement. During the second quarter of fiscal 2017, Clairvest earned management fees of \$0.2 million [2016 – \$18 thousand] as compensation for its services in the administration of the portfolio of CEP V-A. As per the Limited Partnership Agreement, \$0.1 million was netted against the management fees.

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

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

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

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



<b>\$000's</b>	<b>September 30, 2016</b>	<b>March 31, 2016</b>
CEP <sup>[1]</sup>	2,382	2,377
CEP III	19,159	17,938
CEP IV	43,344	36,212
CEP IV-A	8,800	7,482
CEP V	–	–
CEP V-A	–	–
	<b>73,685</b>	<b>64,009</b>

<sup>[1]</sup> A corresponding \$1.2 million in payable to 2486303 Ontario has been recorded to reflect the carried interest entitled by 2486303 Ontario as described in *note 10[a]*.

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

<b>\$000's</b>	<b>September 30, 2016</b>	<b>March 31, 2016</b>
CEP III	9,579	8,969
CEP IV	21,672	18,106
CEP IV-A	4,400	3,741
CEP V	–	–
CEP V-A	–	–
	<b>35,651</b>	<b>30,816</b>
CEP III Co-Invest <sup>[1]</sup>	5,003	4,467
CEP IV Co-Invest <sup>[1]</sup>	10,214	8,694
CEP V Co-Invest <sup>[1]</sup>	–	–
	<b>50,868</b>	<b>43,977</b>

<sup>[1]</sup> Represent the entitlements of the limited partners of MIP III, MIP IV and MIP V respectively as described in *notes 10[c]*, *10[f]* and *10[i]*.

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

<b>\$000's</b>	<b>July 1, 2016</b>	<b>Loans advanced</b>	<b>Loans repaid</b>	<b>September 30, 2016</b>
CEP IV <sup>[1]</sup>	3,242	280	[3,522]	–
CEP V <sup>[2]</sup>	–	6,017	[6,017]	–
CEP V-A <sup>[3]</sup>	–	1,142	[1,142]	–
CEP IV Co-Invest <sup>[4]</sup>	9,435	9,663	[13,868]	5,230
CEP V Co-Invest <sup>[4]</sup>	348	3,068	[3,416]	–
2486303 Ontario <sup>[5]</sup>	10,901	–	[447]	10,454
	<b>23,926</b>	<b>20,170</b>	<b>[28,412]</b>	<b>15,684</b>
Clairvest investee companies <sup>[5]</sup>	5,931	2,062	[2,003]	5,990
Other	25	–	–	25
<b>Net book amount</b>	<b>29,882</b>	<b>22,232</b>	<b>[30,415]</b>	<b>21,699</b>

<sup>[1]</sup> Loans advanced to CEP IV bore interest at the Reference Rate in accordance with the limited partnership agreement. Interest of \$5 thousand [2016 – \$0.3 million] was earned from loans advanced to CEP IV during the second quarter of fiscal 2017.

<sup>[2]</sup> Loans advanced to CEP V bore interest at the Reference Rate in accordance with the limited partnership agreement. Interest of \$8 thousand [2016 – \$0.3 million] was earned from loans advanced to CEP V during the second quarter of fiscal 2017.

<sup>[3]</sup> Loans advanced to CEP V-A bore interest at the Reference Rate in accordance with the limited partnership agreement. Interest of \$2 thousand [2016 – \$4 thousand] was earned from loans advanced to CEP V-A during the second quarter of fiscal 2017.

<sup>[4]</sup> Loans advanced to these acquisition entities are non-interest bearing loans.

<sup>[5]</sup> Loans advanced to 2486303 Ontario bear interest at 10.0% per annum. Interest of \$0.3 million [2016 – nil] was earned from these loans during the second quarter of fiscal 2017.

<sup>[6]</sup> Comprised loans advanced to Discovery Air Inc. and a Canadian subsidiary of Momentum Aerospace Group [“MAG Canada”]. During the second quarter of fiscal 2017, additional loans of US\$0.9 million [C\$1.3 million] and \$0.7 million were advanced to MAG Canada. Also during the second quarter of fiscal 2017, MAG Canada repaid US\$0.4 million [C\$0.5 million] and \$1.5 million of loans previously advanced such that US\$2.8 million [C\$3.7 million] remained outstanding at September 30, 2016. Interest of \$0.1 million [2016 – \$0.1 million] was earned from loans advanced to Clairvest’s investee companies during the second quarter of fiscal 2017.

(m) Accounts receivable and other assets comprised the following:

	September 30, 2016	March 31, 2016
Clairvest's investee companies	1,791	1,644
CEP III	161	432
CEP IV	11,058	12,942
CEP IV-A	155	109
CEP V	6,957	4,984
CEP V-A	1,381	988
	<u>21,503</u>	<u>21,099</u>
Other accounts receivables and prepaid expenses	1,133	3,159
Share purchase loans to employees of the Company and loans to employees of affiliated company	3,404	3,188
	<u>26,040</u>	<u>27,446</u>

The share purchase loans to employees of the Company bear interest which is paid annually, have full recourse and are collateralized by the common shares of the Company purchased by the employees with a market value of \$3.9 million [March 2016 – \$2.9 million]. None of these loans were made to key management. Also included in accounts receivable and other assets were other loans made to certain employees of a company affiliated with Clairvest totaling \$0.7 million [March 2016 – \$0.9 million]. The loans to officers of the affiliated company bear interest which is paid quarterly. Loans are repayable upon departure of the officer. Interest of \$16 thousand [2016 – \$15 thousand] was earned on the loans during the second quarter of fiscal 2017.

Additionally, acquisition entities which were not consolidated by the Company as described in *note 7* held receivables from CEP III totaling \$14 thousand [March 2016 – \$1 thousand] and from Clairvest's investee companies totaling \$0.7 million [March 2016 – \$1.7 million].

- (n) During the second quarter of fiscal 2017, Clairvest earned \$1.7 million [2016 – \$0.3 million] in distributions and interest income and \$0.4 million [2016 – \$1.1 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 \$1.9 million [2016 – \$2.4 million] in distributions and interest income, \$2.1 million [2016 – \$0.3 million] in dividend income and \$0.1 million [2016 – \$0.2 million] in advisory and other fees from its investee companies.
- (o) Clairvest has a 50% ownership in an aircraft where the other 50% ownership is held by a related party of Clairvest. Clairvest receives 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses. The related party has the right to sell its portion of the ownership of the aircraft to Clairvest at the fair market value determined at the time of sale. Accordingly, Clairvest has recognized 100% of the net book value of the aircraft and a liability for the 50% ownership the Company does not own.

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

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

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

As at September 30, 2016

Grant	September 30, 2016
# options granted	203,353
# of options vested	–
Option price <sup>[1]</sup>	57.00
<b>Black-Scholes assumptions used</b>	
Expected volatility	10%
Expected forfeiture rate <sup>[2]</sup>	0%
Expected dividend yield	1.00%
Risk-free interest rate	0.95%
Expected life [years]	5.0
<b>Value using Black-Scholes [\$'000s]<sup>[3]</sup></b>	<b>1,151</b>

<sup>[1]</sup> Based on two times the 5-day weighted average closing price of Clairvest common shares at date of grant and is adjusted for any special dividends paid by the Company.

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

<sup>[3]</sup> Share prices for Clairvest common shares at September 30, 2016 were \$29.39 per share [TSX: CVG].

As at September 30, 2016, \$1.2 million [March 2016 – nil] has been accrued under the Company's Non-Voting Option Plan. For the quarter ended September 30, 2016, Clairvest recognized a stock-based compensation expense of \$0.1 million.

In addition, in June 2016, the Board of Directors of the Company approved an Employee Deferred Share Units ["EDSU"] Plan. The EDSU Plan provides, among other things, that participants may elect to receive all or a portion of their annual bonus amounts that would otherwise be payable in cash in the form of EDSUs. EDSUs may be redeemed for cash or for common shares of the Company in accordance with the terms of the plan. The EDSU Plan received shareholder's approval by ordinary resolution during the second quarter of fiscal 2017. Clairvest is required to reserve one common share for each EDSU issued under the EDSU Plan. The maximum number of Clairvest common shares reserved for the EDSU Plan is 200,000 which represents approximately 1.3% of the outstanding number of common shares. During the quarter ended September 30, 2016, 18,445 EDSUs were issued based on the terms and conditions of the EDSU Plan. Accordingly, an accrual of \$0.5 million [March 2016 – nil] has been included in share-based compensation liability.

As at September 30, 2016, a total of 856,081 [March 2016 – 1,119,348] Book Value Appreciation Rights Units ["BVARs"] were held by employees of Clairvest, the accrual in respect of which was \$6.8 million [March 2016 – \$8.5 million] and has been included in share-based compensation liability, and a further \$4.0 million [March 2016 - \$5.7 million] not accrued as those BVARs have not vested. For the quarter ended September 30, 2016, Clairvest recognized an expense of \$0.4 million with respect to BVARs.

### Compensation paid and payable to key management

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

[\$'000s]	Quarter ended September 30		Six months ended September 30	
	2016	2015	2016	2015
<b>Paid:</b>				
Salaries	163	163	326	326
Annual incentive plans <sup>[1]</sup>	948	1,220	1,091	1,363
Stock options	–	–	–	4,139
	1,111	1,383	1,417	5,828

<sup>[1]</sup> Includes quarterly payments from annual discretionary cash bonuses of up to 21.875% of their respective annual base salary.

Compensation payable to the Co-CEOs at the statement of financial position dates were as follows:

[S'000s]	<u>September 30, 2016</u>	March 31, 2016
<b>Payable:</b>		
Annual incentive plans	1,838	2,261
Non-voting option plan	136	–
Book value appreciation rights	<u>1,883</u>	<u>1,100</u>
	<u>3,857</u>	<u>3,361</u>

During the second quarter of fiscal 2017, 23,993 [2016 – nil] Deferred Share Units [“DSUs”] were exercised and 1,439 [2016 – 10,989] DSUs were granted. As at September 30, 2016, a total of 232,322 [March 2016 – 243,402] DSUs were held by directors of the Company, the accrual in respect of which was \$7.5 million [March 2016 – \$6.9 million] and has been included in share-based compensation liability. For the quarter ended September 30, 2016, Clairvest recognized an expense of \$0.2 million with respect to DSUs.

During the second quarter of fiscal 2017, 15,000 [2016 – nil] Appreciation Deferred Share Units [“ADSUs”] were exercised. As at September 30, 2016, a total of 105,000 [March 2016 – 120,000] ADSUs were held by directors of the Company, the accrual in respect of which was \$1.7 million [March 2016 – \$1.6 million] and has been included in share-based compensation liability. For the quarter ended September 30, 2016, Clairvest recognized an expense of \$0.1 million with respect to ADSUs.

During the second quarter of fiscal 2017, compensation paid to directors under the BVAR, DSU and ADSU plans were \$2.2 million [2016 – nil]. In addition to the DSU and ADSU plans previously discussed, compensation payable to the directors of Clairvest included \$0.2 million [March 2016 – nil] under the Non-Voting Option Plan.

## 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:

[S'000s]	<u>2016</u>	2015
Accounts receivable and other assets	4,723	[3,137]
Income taxes receivable	[1,290]	[1,120]
Accounts payable and accrued liabilities	[1]	[1,144]
Income taxes payable	41	21
Accrued compensation expense	<u>[2,084]</u>	<u>[2,749]</u>
	<u>1,389</u>	<u>[8,129]</u>

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

[S'000s]	<u>September 30, 2016</u>	March 31, 2016
Cash	3,743	2,704
Cash equivalents	<u>72,266</u>	<u>62,546</u>
	<u>76,009</u>	<u>65,250</u>

## 13. DERIVATIVE INSTRUMENTS

The Company and its acquisition entities entered into foreign exchange forward contracts as economic hedges against the fair value of its foreign-denominated investments and loans unless a specific exemption is approved by the Board of Directors. During the second quarter of fiscal 2017, the Company received net proceeds of \$0.5 million [2016 – paid \$1.8 million] on the settlement of realized foreign exchange forward contracts. Additionally, acquisition entities of Clairvest received net proceeds of \$3.5 million [2016 – paid \$4.6 million] on the settlement of realized foreign exchange forward contracts during the quarter.

As at September 30, 2016, the Company had entered foreign exchange forward contracts as hedges against its foreign-denominated loans as follows:

Foreign exchange forward contract to sell US\$2.8 million [March 2016 – US\$7.6 million] at a rate of Canadian \$1.30775 per U.S. dollar [March 2016 – \$1.3751] through to October 2016. The fair value of the forward contracts at September 30, 2016 was a loss of \$11 thousand [March 2016 – gain of 0.6 million].

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

Foreign exchange forward contracts to sell US\$149.7 million [March 2016 – US\$133.1 million] at an average rate of Canadian \$1.3028 per U.S. dollar [March 2016 – \$1.3451] through to August 2017. The fair value of the forward contracts at September 30, 2016 was a loss of \$1.1 million [March 2016 – gain of \$6.2 million].

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

#### **14. CONTINGENCIES, COMMITMENTS AND GUARANTEES**

- (a) CEP III Co-Invest has committed to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest's co-investment commitment is \$75.0 million, \$15.2 million [March 2016 – \$15.2 million] of which remains unfunded at September 30, 2016. In accordance with the co-investment agreement, the proportion of the commitment amongst Clairvest, 2141788 Ontario and MIP III is at their own discretion. CEP III Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.
- (b) CEP IV Co-Invest has committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest's co-investment commitment is \$125.0 million, \$28.4 million [March 2016 – \$28.4 million] of which remained unfunded at September 30, 2016. In accordance with the co-investment agreement, the proportion of the commitment between Clairvest and MIP IV is at their own discretion. CEP IV Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.
- (c) CEP V Co-Invest has committed to co-invest alongside CEP V and CEP V-A in all investments undertaken by CEP V and CEP V-A. CEP V Co-Invest's co-investment commitment is \$180 million, \$142.2 million [March 2016 – \$146.7 million] of which remained unfunded at September 30, 2016. In accordance with the co-investment agreement, the proportion of the commitment amongst Clairvest, 2141788 Ontario and MIP V is at their own discretion. CEP V Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP V and CEP V-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP V and CEP V-A.
- (d) Clairvest has committed \$25.2 million to Wellington Fund IV, all of which was unfunded at September 30, 2016. As specified in the Limited Partnership Agreement, upon the closing of Wellington Fund V, Wellington Fund IV may no longer invest in new investments.
- (e) Clairvest has also committed \$30.3 million to Wellington Fund V, \$15.7 million of which remained unfunded at September 30, 2016.
- (f) As at September 30, 2016, Clairvest has received profit distributions totaling \$0.1 million [March 2016 – nil] through its ownership interest in the General Partner of Wellington Fund V. Clairvest has agreed to return up to the amounts received in the event the limited partners of Wellington Fund V do not meet their return threshold as specified in the respective Limited Partnership Agreements.
- (g) Clairvest had guaranteed up to US\$10.0 million of CEP III's obligations to a Schedule 1 Canadian chartered bank under CEP III's foreign exchange forward contracts with this 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, 2016, the Realized Amount under the Bonus Program was \$0.2 million [March 2016 – \$0.6 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 \$4.1 million [March 2016 – \$3.5 million] accrued compensation expense liability which would only be payable to management when the

corresponding realization events have occurred. The Bonus Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest, CEP IV Co-Invest and CEP V Co-Invest.

- (i) In conjunction with the sale of Casino New Brunswick, Clairvest agreed to a net guarantee of \$13.5 million to fund any valid claims made by the purchaser under the indemnity provisions of the sale for a specified period of time. Any funding pursuant to the guarantee will be allocated 25% to CEP III Co-Invest and 75% to CEP III. As at September 30, 2016 and March 31, 2016, no amounts with respect to this guarantee has been funded.
- (j) As part of the holding structure of Chilean Gaming Holdings, an acquisition entity of CEP III Co-Invest had loans totaling \$41.9 million at September 30, 2016 [March 2016 – \$41.9 million] from an unrelated financial institution, while another acquisition entity of CEP III Co-Invest held term deposits totaling \$41.9 million at September 30, 2016 [March 2016 – \$41.9 million] with the same financial institution as security for these loans. CEP III Co-Invest's ownership of both acquisition entities was 36.8% at September 30, 2016 and March 31, 2016.
- (k) Clairvest has agreed to guarantee up to \$10.0 million to support Discovery Air's credit facility with its bank. The guarantee is callable by the lender under certain circumstances and should it be called, Clairvest will assume the lender's security position that supports the loans provided by the lender. Clairvest intends to allocate any amounts called under this guarantee to CEP IV Co-Invest, CEP IV and CEP IV-A on a pro-rata basis in accordance with their respective capital commitments in CEP IV. As at September 30, 2016 and March 31, 2016, the total contingent exposure under this guarantee was \$7.4 million, \$2.0 million of which would be assumed by CEP IV Co-Invest if called. Any additional guarantee is subject to Clairvest's consent at its sole discretion.
- (l) CEP IV Co-Invest has committed to advance up to \$3.8 million to Discovery Air in the form of a secured revolving credit facility, \$3.2 million of which may be drawn upon request and the remaining \$0.6 million is subject to CEP IV Co-Invest's consent. As at September 30, 2016, \$1.7 million of this facility has been drawn. Subsequent to quarter end, Discovery Air repaid \$0.4 million of the secured revolving credit facility provided by CEP IV Co-Invest which reduced the facility drawn to \$1.3 million.
- (m) As at September 30, 2016, the Company had future minimum annual lease payments under non-cancellable operating leases for the use of office space of \$0.4 million [March 2016 – \$0.4 million] due within one year and \$1.2 million due after one year but not more than five years [March 2016 – \$1.3 million].
- (n) In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

## 15. RISK MANAGEMENT

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

### *Credit risk*

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

[S'000s]	September 30 2016	March 31 2016
<b>Financial Assets</b>		
Cash and cash equivalents	76,009	65,250
Temporary investments	11,122	21,793
Accounts receivable <sup>[1]</sup>	24,995	24,287
Loans receivable <sup>[2]</sup>	6,015	8,340
Derivative instruments	–	581
Corporate investments <sup>[3]</sup>	352,403	324,699
	<b>470,544</b>	<b>444,950</b>

[1] Excludes prepaid expenses and receivables from acquisition entities

[2] Excludes loans receivable from acquisition entities

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

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

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

The Company manages counterparty credit risk on derivative instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks.

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

[S'000s]	September 30 2016	March 31 2016
<b>Cash</b>	<b>3,743</b>	<b>2,704</b>
<b>Money market savings accounts</b>		
R1-High	43,669	39,023
<b>Guaranteed investment certificates and investment savings accounts</b>		
AA	36,323	36,683
A+	2,595	2,570
A	–	202
BBB+ <sup>[1]</sup>	100	101
BBB <sup>[1]</sup>	–	101
BBB- <sup>[1]</sup>	100	101
Not rated <sup>[1]</sup>	601	101
<b>Corporate bonds and loans</b>		
B- <sup>[2]</sup>	–	5,457
<b>Total cash, cash equivalents and temporary investments</b>	<b>87,131</b>	<b>87,043</b>

[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 interest rates affect the Company's income derived from its treasury funds. For financial instruments which yield a floating interest rate, the income received is directly impacted by the prevailing interest rate. The fair value of

financial instruments which yield a fixed interest rate would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on its treasury funds by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

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

The Company's investee companies are diversified across 17 companies in 8 industries and 3 countries as at September 30, 2016. Concentration risk by industry and by country, was as follows:

[\$'000s]	September 30, 2016				March 31, 2016			
	Canada	United States	Chile	Fair value	Canada	United States	Chile	Fair value
Contract manufacturing	—	16,009	—	16,009	—	16,017	—	16,017
Defense services	15,116	5,934	—	21,050	15,343	5,600	—	20,943
Equipment rental	21,511	—	—	21,511	22,009	—	—	22,009
Financial services	21,313	—	—	21,313	20,852	—	—	20,852
Gaming	14,041	131,562	48,789	194,392	14,076	116,071	43,674	173,821
Marketing services	12,384	8,066	—	20,450	10,640	7,987	—	18,627
Specialty aviation	15,115	—	—	15,115	15,342	—	—	15,342
Waste management	—	38,419	—	38,419	—	32,815	—	32,815
Other	1,219	2,925	—	4,144	1,415	2,858	—	4,273
<b>Total</b>	<b>100,699</b>	<b>202,915</b>	<b>48,789</b>	<b>352,403</b>	<b>99,677</b>	<b>181,348</b>	<b>43,674</b>	<b>324,699</b>

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

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. The Company has also advanced loans to investee companies which are denominated in foreign currency. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest and its acquisition entities enter into hedging positions against these foreign denominated currencies as approved by the Board of Directors. In June 2016, the Company adopted a new foreign exchange policy to not hedge the Chilean Pesos ["CLP"] as approved by the Board of Directors. As a result, at September 30, 2016, the Company had foreign currency exposure to the CLP totaling \$48.8 million.

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

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 periods. Total unfunded commitments to co-invest alongside the CEP Funds, as described in *note 14* were \$185.8 million as at September 30, 2016 [March 2016 – \$190.3 million]. The timing of any amounts to be funded under these commitments is dependent upon the timing of investment acquisitions, which are made at the sole discretion of the Company. In addition to its commitments to co-invest alongside the CEP Funds, the Company has unfunded commitments of \$25.2 million and \$15.7 million to Wellington Fund IV and Wellington Fund V respectively as described in *notes 14[d] and 14[e]*.

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, 2016, Clairvest had treasury funds of \$87.1 million [March 2016 – \$87.0 million] and access to \$95.0 million [March 2016 – \$95.0 million] through its credit facilities to support its current and anticipated corporate investments. Clairvest also has access to \$47.6 million [March 2016 – \$45.4 million] in treasury funds held by its acquisition entities.



## 16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, cash equivalents, temporary investments, corporate investments, and derivative instruments are carried at fair value in accordance with the Company's accounting policy as described in *note 2*. All other financial instruments, including receivables and payables, were 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, 2016				March 31, 2016
	Fair value measurements using			Assets / liabilities at fair value	Assets / liabilities at fair value
	Level 1	Level 2	Level 3		
<b>Financial assets</b>					
Cash equivalents					
Money market savings accounts	43,669	—	—	43,669	39,023
Investment savings accounts	28,597	—	—	28,597	23,523
	<u>72,266</u>	<u>—</u>	<u>—</u>	<u>72,266</u>	<u>62,546</u>
Temporary investments					
Guaranteed investment certificates	—	11,122	—	11,122	16,336
Corporate bonds and loans	—	—	—	—	5,457
	<u>—</u>	<u>11,122</u>	<u>—</u>	<u>11,122</u>	<u>21,793</u>
Derivative instruments	—	—	—	—	581
Corporate investments	—	—	379,261	379,261	353,801
	<u>72,266</u>	<u>11,122</u>	<u>379,261</u>	<u>462,649</u>	<u>438,721</u>
<b>Financial liabilities</b>					
Derivative instruments	—	11	—	11	—
	<u>—</u>	<u>11</u>	<u>—</u>	<u>11</u>	<u>—</u>

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

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

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

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

For the quarter ended September 30, 2016						
[S'000s]	Fair value July 1, 2016	Total realized / unrealized gains [losses] and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value September 30, 2016	Unrealized gains [losses] and foreign exchange revaluations included in earnings for assets and liabilities for the quarter ended September 30, 2016 for positions still held
<b>Financial assets</b>						
Corporate investments	368,355	10,818	88	—	379,261	10,818
	<u>368,355</u>	<u>10,818</u>	<u>88</u>	<u>—</u>	<u>379,261</u>	<u>10,818</u>
For the six months ended September 30, 2016						
[S'000s]	Fair value April 1, 2016	Total realized / unrealized gains [losses] and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value September 30, 2016	Unrealized gains [losses] and foreign exchange revaluations included in earnings for assets and liabilities for the quarter ended September 30, 2016 for positions still held
<b>Financial assets</b>						
Corporate investments	353,801	25,372	88	—	379,261	25,372
	<u>353,801</u>	<u>25,372</u>	<u>88</u>	<u>—</u>	<u>379,261</u>	<u>25,372</u>

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

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

September 30, 2016	Valuation techniques	Significant unobservable input	Range
Unquoted equity instruments [including warrants] or partnership units	<b>Public company comparables</b>	<b>EBITDA multiples</b>	<b>5.1x to 7.7x</b>
	<b>Recent transactions</b>	<b>n/a</b>	<b>n/a</b>
Corporate bonds, debentures or loans not traded or other finite set of cash flows	<b>Discounted cash flows</b>	<b>Discount rates</b>	<b>3.0% to 19.0%</b>

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. At

September 30, 2016, nine investee companies were valued using the earnings multiple approach. If the Company had used an earnings multiple for each investee company that was higher or lower by 0.5 times, the potential effect would have been an increase of \$22.4 million or a decrease of \$21.4 million to the carrying value of corporate investments and net investment gains, on a pre-tax basis, for the quarter ended September 30, 2016. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

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

## **17. CAPITAL DISCLOSURES**

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

Clairvest's objectives in managing capital are to:

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

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

## **18. COMPARATIVE FINANCIAL STATEMENTS**

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