

**CLAIRVEST GROUP INC.**  
**NOTICE TO READER**  
**December 31, 2015**  
**[unaudited]**

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

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

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

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

<b>\$000's</b>	<b>December 31</b>	<b>March 31</b>
	<b>2015</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents [Notes 4, 10[p], 10[q] and 12]	\$ 92,586	\$ 98,644
Temporary investments [Notes 4 and 15]	21,923	58,511
Accounts receivable and other assets [Notes 10[s] and 15]	24,845	15,055
Loans receivable [Notes 7 and 10]	26,851	11,451
Income taxes recoverable	2,606	120
Carried interest receivable [Note 10]	55,918	53,738
Corporate investments [Notes 7, 15 and 16]	316,706	291,421
Fixed assets [Note 8]	1,982	2,267
	<b>\$ 543,417</b>	<b>\$ 531,207</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,978	\$ 1,820
Loans payable	146	—
Income taxes payable	50	69
Derivative instruments [Note 13]	523	4,341
Accrued compensation expense [Notes 11 and 14[h]]	5,466	6,935
Share-based compensation [Note 11]	16,229	24,528
Management participation [Note 10]	38,580	37,756
Deferred tax liability	11,189	8,064
	<b>75,161</b>	<b>83,513</b>
Contingencies, commitments and guarantees [Note 14]		
<b>Shareholders' Equity</b>		
Share capital [Note 9]	81,662	79,314
Retained earnings	386,594	368,380
	<b>468,256</b>	<b>447,694</b>
	<b>\$ 543,417</b>	<b>\$ 531,207</b>

[see accompanying notes to interim condensed consolidated financial statements]

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

\$000's [except per share information]	Quarter ended		Nine months ended	
	December 31		December 31	
	2015	2014	2015	2014
<b>OTHER INCOME</b>				
Net investment gains [Note 5]	\$ 7,289	\$ 1,510	\$ 24,598	\$ 34,837
Distributions and interest income [Note 10]	6,918	1,697	14,069	12,678
Net carried interest income [Notes 6 and 10]	4,353	656	7,927	22,815
Management fees [Notes 10[e] and 10[h]]	174	161	533	482
Advisory and other fees [Note 10[t]]	361	306	1,539	991
	<b>19,095</b>	<b>4,330</b>	<b>48,666</b>	<b>71,803</b>
<b>EXPENSES</b>				
Employee compensation and benefits [Notes 11 and 14[h]]	2,279	1,907	7,061	12,331
Share-based compensation expenses [recovery] [Note 11]	[569]	3,090	5,456	7,941
Administration and other expenses	1,638	1,195	5,207	2,738
Finance and foreign exchange expense	417	301	539	1,118
Management Participation [Note 10]	3,010	369	5,706	14,381
	<b>6,775</b>	<b>6,862</b>	<b>23,969</b>	<b>38,509</b>
Income [loss] before income taxes	12,320	[2,532]	24,697	33,294
Income tax expense	390	375	1,996	298
<b>NET INCOME [LOSS] AND COMPREHENSIVE INCOME [LOSS]</b>	<b>\$ 11,930</b>	<b>\$ [2,907]</b>	<b>\$ 22,701</b>	<b>\$ 32,996</b>
Basic and fully diluted net income [loss] per share	<b>\$ 0.78</b>	<b>\$ [0.19]</b>	<b>\$ 1.50</b>	<b>\$ 2.18</b>

[see accompanying notes to interim condensed consolidated financial statements]

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

<b>\$000's</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>As at April 1, 2015</b>	<b>\$ 79,314</b>	<b>\$ 368,380</b>	<b>\$ 447,694</b>
Changes in equity			
Net income and comprehensive income for the period	—	22,701	22,701
	<b>79,314</b>	<b>391,081</b>	<b>470,395</b>
Dividends declared [\$0.2958 per share]	—	[4,487]	[4,487]
Issue of shares on exercise of stock options [Note 11]	2,348	—	2,348
<b>As at December 31, 2015</b>	<b>81,662</b>	<b>386,594</b>	<b>468,256</b>
<b>As at April 1, 2014</b>	<b>\$ 79,314</b>	<b>\$ 320,146</b>	<b>\$ 399,460</b>
Changes in equity			
Net income and comprehensive income for the period	—	32,996	32,996
	79,314	353,142	432,456
Dividends declared [\$0.2492 per share]	—	[3,771]	[3,771]
<b>As at December 31, 2014</b>	<b>\$ 79,314</b>	<b>\$ 349,371</b>	<b>\$ 428,685</b>

[see accompanying notes to interim condensed consolidated financial statements]

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

\$000's	Quarter ended		Nine months ended	
	December 31		December 31	
	2015	2014	2015	2014
<b>OPERATING ACTIVITIES</b>				
Net income [loss] and comprehensive income [loss] for the period	\$ 11,930	\$ [2,907]	\$ 22,701	\$ 32,996
Add [deduct] items not involving a current cash outlay:				
Amortization of fixed assets	126	925	477	1,183
Share-based compensation expense [recovery]	[1,859]	3,143	3,754	8,102
Deferred income tax expense [recovery]	565	[1,253]	3,125	[4,657]
Net investment gains	[7,289]	[1,510]	[24,598]	[34,837]
Unrealized carried interest income and management participation	[560]	[288]	[1,356]	4,504
Non-cash items relating to foreign exchange forward contracts	866	2,803	543	3,420
Non-cash items relating to corporate investments	114	[2,102]	1,541	[2,749]
	3,893	[1,189]	6,187	7,962
Adjustments for:				
Net proceeds on sale [cost on acquisition] of temporary investments	6,529	[2,725]	36,588	71
Loans advanced [Note 10]	[96,259]	[12,586]	[178,218]	[34,481]
Receipt of loans advanced [Note 10]	147,721	267	162,818	52,844
Loans received [Note 10]	146	—	146	19,945
Repayment of loans received	—	—	—	[1,028]
Cost on settlement of realized foreign exchange forward contracts	[1,642]	[24]	[4,361]	[730]
Acquisition of corporate investments	[15,116]	[68]	[16,982]	[11,789]
Proceeds on sale of corporate investments	—	—	—	144
Return of capital from corporate investments	14,754	—	14,754	10,054
Settlement of share-based compensation liability	[6,658]	—	[12,053]	[2,011]
	49,475	[15,136]	2,692	33,019
Net change in non-cash working capital balances related to operations [Note 12]	[1,548]	4,593	[12,606]	7,648
<b>Cash provided by [used in] operating activities</b>	<b>51,820</b>	<b>[11,732]</b>	<b>[3,727]</b>	<b>48,629</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of fixed assets	[107]	[36]	[192]	[69]
<b>Cash used in investing activities</b>	<b>[107]</b>	<b>[36]</b>	<b>[192]</b>	<b>[69]</b>
<b>FINANCING ACTIVITIES</b>				
Cash dividends paid	—	—	[4,487]	[3,771]
Issuance of share capital	1,316	—	2,348	—
<b>Cash provided by [used in] financing activities</b>	<b>1,316</b>	<b>—</b>	<b>[2,139]</b>	<b>[3,771]</b>
<b>Net increase [decrease] in cash and cash equivalents</b>	<b>53,029</b>	<b>[11,768]</b>	<b>[6,058]</b>	<b>44,789</b>
Cash and cash equivalents, beginning of period	39,557	108,354	98,644	51,797
<b>Cash and cash equivalents, end of period [Note 12]</b>	<b>\$ 92,586</b>	<b>\$ 96,586</b>	<b>\$ 92,586</b>	<b>\$ 96,586</b>
<b>Supplemental cash flow information</b>				
Interest received	\$ 1,207	\$ 1,075	\$ 2,698	\$ 2,594
Distributions received	\$ 4,889	\$ 659	\$ 6,494	\$ 7,245
Income taxes paid	\$ —	\$ 1,673	\$ 1,497	\$ 3,504
Interest paid	\$ 189	\$ 189	\$ 565	\$ 565

**CLAIRVEST GROUP INC.**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*December 31, 2015 [Tabular Dollar Amounts in Thousands]*  
*[unaudited]*

**1. NATURE OF OPERATIONS**

Clairvest Group Inc. [“Clairvest” or the “Company”] is a private equity investor publicly traded on the Toronto Stock Exchange [“TSX”] under symbol CVG. The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners III Limited Partnership [“CEP III”], Clairvest Equity Partners IV Limited Partnership [“CEP IV”], Clairvest Equity Partners IV-A Limited Partnership [“CEP IV-A”], Clairvest Equity Partners V Limited Partnership [“CEP V”] and Clairvest Equity Partners V-A Limited Partnership [“CEP V-A”] [together, the “CEP Funds”]. Clairvest contributes financing and strategic expertise to support the growth and development of its investees in order to create realizable value for all shareholders. Clairvest is incorporated under the laws of the Province of Ontario.

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

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

The accounting policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS as issued by the International Accounting Standards Board [“IASB”] and the IFRS Interpretations Committee, all issued and effective as at February 8, 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, 2016 could result in restatement of these unaudited interim condensed consolidated financial statements.

The disclosures contained in these unaudited interim condensed consolidated financial statements do not include all requirements of International Financial Reporting Standards for annual financial statements. As a result, the unaudited interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements prepared in accordance with IFRS as at and for the year ended March 31, 2015.

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

**Basis of consolidation**

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

**[I] Consolidated subsidiaries**

In accordance with IFRS 10, subsidiaries are those entities that provide investment-related services and that the Company controls by having the power to govern the financial and operating policies of the entity. Such entities would include those which earn priority distributions or management fees and carried interest from the CEP Funds. All intercompany amounts and transactions amongst these consolidated entities have been eliminated upon consolidation. The existence and effect of potential voting rights that are currently exercisable and shareholder agreements are considered when assessing whether the

Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are subsequently deconsolidated from the consolidated financial statements on the date that control ceases.

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

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

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

In accordance with IFRS 10, interests in subsidiaries other than those that provide investment-related services are accounted for at fair value through profit or loss rather than consolidating them in accordance with the amendments for investment entities under IFRS 10. Investment entities under IFRS 10 are defined as those that “obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis.”

The following entities, which are significant in nature, are controlled by Clairvest either directly or indirectly and are used as acquisition entities of the Company [“acquisition entities”]. Accordingly, they are accounted for at fair value through profit or loss. These entities' principal place of business is in Canada.

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

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

## **[III] Interests in the CEP Funds**

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

## **Significant accounting policies, new standards, interpretations and amendments**

The following condensed discussion of significant accounting policies, new standards, interpretations and amendments should be read in conjunction with the disclosures presented in the audited consolidated financial statements for the year ended March 31, 2015. The Company has consistently applied the following accounting policies throughout all periods presented in these unaudited interim condensed consolidated financial statements, as if these policies had always been in effect.

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

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

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

This category is further divided into the following:

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

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company includes in this category receivable balances relating to 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 fair value through profit or loss. The Company includes in this category amounts relating to accounts payable and loans payable.

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

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

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

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



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

**(c) Income recognition**

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

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

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

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

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

**Determination of investment entity**

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

**Fair value of financial instruments**

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

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

### Recognition of carried interest and corresponding expenses

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

### Income taxes

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

## 3. CREDIT FACILITIES

Clairvest has a \$75.0 million committed credit facility with a maturity date of April 30, 2020. The credit facility bears interest at 11% per annum on drawn amounts and at 1% per annum on undrawn amounts. The amount available under the credit facility at December 31, 2015 is \$75.0 million [March 2015 – \$75.0 million]. No amounts were drawn during the quarter.

Clairvest also has a \$20.0 million credit facility available, subject to annual renewals, bearing interest at prime plus 0.5% per annum. The prime rate at December 31, 2015 was 2.70% [March 2015 – 2.85%]. The amount available under the credit facility at December 31, 2015 was \$20.0 million [March 2015 – \$20.0 million], which is based on debt covenants within the banking arrangement. No amounts were drawn during the quarter.

## 4. CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

Cash equivalents consist of deposits in investment and money market savings accounts which have maturities of less than 90 days from the date of acquisition. The yield ranges between 0.8% and 1.0% per annum [March 2015 – between 0.2% and 1.1%] with a weighted average rate of pre-tax return of 0.9% per annum [March 2015 – 1.0%].

Temporary investments consist of guaranteed investment certificates and corporate bonds which have maturities greater than 90 days from the date of acquisition and through to August 2019. The yield on these investments ranges between 1.6% and 7.7% per annum [March 2015 – between 1.7% and 8.4%] with a weighted average rate of pre-tax return of 4.3% per annum [March 2015 – 4.5%]. The composition of Clairvest's temporary investments was as follows:

	December 31, 2015			March 31, 2015
	Due in 1 year or less	Due after 1 year	Total	Total
Guaranteed investment certificates	\$ 16,257	\$ –	\$ 16,257	\$ 38,288
Corporate bonds and loans	–	5,666 <sup>[1]</sup>	5,666 <sup>[1]</sup>	20,223 <sup>[1]</sup>
<b>Total</b>	<b>\$ 16,257</b>	<b>\$ 5,666</b>	<b>\$ 21,923</b>	<b>\$ 58,511</b>

<sup>[1]</sup> As at December 31, 2015, Clairvest's treasury holdings included US\$7.5 million in Light Tower Rentals Inc. corporate bonds at a fair market value of US\$4.1 million [March 2015 – US\$7.0 million] which is based on the last bid price at the balance sheet date.

## 5. NET INVESTMENT GAINS

Net investment gains for the quarters and nine months ended December 31 comprised the following:

\$000's	Quarter ended December 31		Nine months ended December 31	
	2015	2014	2015	2014
Net realized gains [losses] during the period	13	–	13	[2,096]
Previously recognized net unrealized losses	–	–	–	2,115
Net changes in unrealized gains during the period	7,276	1,510	24,585	34,818
	<b>7,289</b>	1,510	<b>24,598</b>	34,837

## 6. NET CARRIED INTEREST INCOME

Net carried interest income for the quarters and nine months ended December 31 comprised the following:

\$000's	Quarter ended December 31		Nine months ended December 31	
	2015	2014	2015	2014
Realized carried interest income [note 10]	5,548	–	5,708	33,741
Net changes in unrealized carried interest [note 10]	[1,195]	656	2,219	[10,926]
	<b>4,353</b>	656	<b>7,927</b>	22,815

## 7. CORPORATE INVESTMENTS

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

2141788 Ontario, a limited partner of CEP III Co-Invest and CEP V Co-Invest, is a wholly-owned acquisition entity of Clairvest. Clairvest's relationship with CEP III Co-Invest and MIP III, CEP IV Co-Invest and MIP IV, and CEP V Co-Invest and MIP V are described in *notes 10[c], 10[f] and 10[i]* to the interim condensed consolidated financial statements. During the third quarter of fiscal 2016, Clairvest made an additional investment of \$0.5 million in CEP V Co-Invest.

During the third quarter of fiscal 2016, Clairvest advanced \$11.0 million to 2486303 Ontario, a wholly-owned acquisition entity of Clairvest. Subsequently, 2486303 Ontario purchased 100% of the limited partnership units of Clairvest Equity Partners Limited Partnership ["CEP"] for \$9.8 million and 50% of the carried interest payable by CEP which was ultimately not owned by Clairvest for \$1.2 million. Prior to the purchase, CEP was a third party investment fund held by outside investors whose portfolio had been liquidated except for profit participation interest in the Grey Eagle Casino.

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	December 31, 2015			March 31, 2015		
	Investee companies	Acquisition entity net assets [liabilities]	Total	Investee companies	Acquisition entity net assets [liabilities]	Total
Held directly by Clairvest Group Inc.	24,840	–	24,840	22,394	–	22,394
Held through the following acquisition entities:						
2486303 Ontario	12,101	[11,844]	257	–	–	–
2141788 Ontario	37,035	26,909	63,944	42,954	20,572	63,526
CEP III Co-Invest	19,995	16,496	36,491	23,763	12,476	36,239
MIP III	800	661	1,461	952	500	1,452
CEP IV Co-Invest	191,687	[11,901]	179,786	163,978	[5,264]	158,714
MIP IV	3,715	[231]	3,484	3,238	[104]	3,134
CEP V Co-Invest	4,511	[443]	4,068	3,658	[71]	3,587
MIP V	2,634	[259]	2,375	2,422	[47]	2,375
<b>Total</b>	<b>297,318</b>	<b>19,388</b>	<b>316,706</b>	<b>263,359</b>	<b>28,062</b>	<b>291,421</b>

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

\$000's	December 31, 2015	March 31, 2015
<b>Assets</b>		
Cash and cash equivalents	36,195	20,513
Temporary investments	10,550	10,392
Accounts receivable and other assets	2,088	1,550
Loans receivable	5,895	10,568
Income taxes receivable	1,170	–
	<b>55,898</b>	<b>43,023</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,846	503
Loans payable	20,862	35
Income taxes payable	151	6,229
Derivative instruments	10,743	7,998
Deferred tax liability	1,908	196
	<b>36,510</b>	<b>14,961</b>
<b>Net assets</b>	<b>19,388</b>	<b>28,062</b>

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	December 31, 2015			March 31, 2015		
	Fair value	Cost	Difference	Fair value	Cost	Difference
<b>Investments made by CEP III Co-Invest alongside CEP III</b>						
Casino New Brunswick	–	–	–	8,324	9,798	[1,474]
Chilean Gaming Holdings <sup>[a]</sup>	43,819	28,754	15,065	34,703	28,754	5,949
Light Tower Rentals Inc.	–	2,403	[2,403]	11,629	2,403	9,226
Lyophilization Services of New England Inc.	10,059	7,313	2,746	9,380	7,451	1,929
<b>Investments made by CEP IV Co-Invest alongside CEP IV</b>						
Centaur Gaming	65,935	14,644	51,291	50,355	14,644	35,711
Cieslok Media Inc.	9,597	4,015	5,582	7,411	4,015	3,396
County Waste of Virginia, LLC	11,289	7,308	3,981	8,210	6,690	1,520
CRS Contractors Rental Supply Limited Partnership	19,354	10,573	8,781	16,984	10,573	6,411
Davenport Land Investments <sup>[b]</sup>	3,006	2,196	810	3,465	3,059	406
Discovery Air Inc.	33,796	30,038	3,758	33,036	29,606	3,430
Linen King, LLC	–	–	–	809	2,525	[1,716]
Momentum Aerospace Group	5,828	3,838	1,990	3,980	2,787	1,193
New Meadowlands Racetrack, LLC	8,789	5,580	3,209	7,942	5,580	2,362
Rivers Casino	27,250	7,508	19,742	25,362	7,508	17,854
Winters Bros. Waste Systems of CT, LLC	10,558	8,053	2,505	9,662	8,053	1,609
<b>Investments made by CEP V Co-Invest alongside CEP V</b>						
Winters Bros. Waste Systems of Long Island Holdings, LLC	11,097	7,700	3,397	9,713	7,215	2,498
Grey Eagle Casino	16,135	12,241	3,894	2,709	1	2,708
Wellington Financial Fund III/IV/V	19,281	14,631	4,650	18,069	14,375	3,694
	295,793	166,795	128,999	261,743	165,037	96,706
Other investments	1,525	1,598	[73]	1,616	1,686	[70]
	297,318	168,393	128,926	263,359	166,723	96,636

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

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

The cost and fair value of investee companies do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as economic hedges against these investments [refer to *note 13*]. Details of significant events of the investee companies are described below.

During the third quarter of fiscal 2016, CEP III Co-Invest completed the sale of Casino New Brunswick and received proceeds of \$14.3 million against a carrying value at September 30, 2015 of \$13.9 million and its original investment of \$9.8 million. The proceeds included \$10.9 million in full repayment of debentures and interest, as well as \$3.4 million in distributions from the entity which owned Casino New Brunswick. Subsequently, CEP III Co-Invest distributed substantially all of the proceeds to Clairvest. In addition, Clairvest received \$0.5 million in fees related a guarantee it had provided to Casino New Brunswick as described in *note 14[i]*.

During the third quarter of fiscal 2016, CEP V Co-Invest invested an additional US\$0.3 million [C\$0.5 million] for 63,762 Class C units in Winters Bros. Waste Systems of Long Island Holdings, LLC ["WBLI"]. At December 31, 2015, CEP V Co-Invest held 1,462,269 Class C units in WBLI which represents a 14.0% ownership interest on a fully diluted basis.

During the third quarter of fiscal 2016, Clairvest invested \$11.0 million to increase its profit participation interest in the Grey Eagle Casino through the purchase of CEP by 2486303 Ontario. As described above, the purchase included 100% of the limited partnership units of CEP for \$9.8 million and 50% of the carried interest payable by CEP which was not ultimately owned by Clairvest for \$1.2 million. As a result of the purchase, Clairvest increased its profit distributions entitlement, either directly or indirectly through 2486303 Ontario, to between 11.25% to 38.25% of the earnings of Grey Eagle Casino until December 2022.

During the third quarter of fiscal 2016, Wellington Financial Fund V ["Wellington Fund V"] completed its final closing at \$300 million, with Clairvest finalizing its commitment at \$30.3 million. Wellington Fund V also purchased Wellington Financial Fund IV's ["Wellington Fund IV"] loan portfolio at fair market value. As a result of these transactions, Clairvest

received a return of capital of \$14.8 million from Wellington Fund IV and invested \$14.6 million in Wellington Fund V. Clairvest is also entitled to participate in the profits of the general partner of Wellington Fund V and continues to own a residual interest in Wellington Fund IV.

## 8. FIXED ASSETS

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

\$000's	Aircraft	IT equipment <sup>[a]</sup>	Furniture, fixtures and Equipment	Leasehold improvements	Total
<b>As at December 31, 2015</b>					
Cost	3,603	788	398	2,601	7,390
Accumulated amortization	[1,115]	[665]	[374]	[2,454]	[4,608]
Impairment charges	[800]	-	-	-	[800]
<b>Net book amount</b>	<b>1,688</b>	<b>123</b>	<b>24</b>	<b>147</b>	<b>1,982</b>
<b>As at March 31, 2015</b>					
Cost	3,603	724	391	2,480	7,198
Accumulated amortization	[848]	[638]	[368]	[2,277]	[4,131]
Impairment charges	[800]	-	-	-	[800]
<b>Net book amount</b>	<b>1,955</b>	<b>86</b>	<b>23</b>	<b>203</b>	<b>2,267</b>

<sup>[a]</sup> Comprised computer equipment and computer software

## 9. SHARE CAPITAL

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

In total, 3,429,895 common shares at a cost of \$35.3 million have been purchased under all previous normal course issuer bids as at December 31, 2015. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation outside of the normal course issuer bid.

During the third quarter of fiscal 2016, 45,000 stock options were exercised for shares increasing share capital by \$1.3 million. At December 31, 2015, 15,214,095 [March 2015 – 15,134,095] common shares were outstanding.

## 10. RELATED PARTY TRANSACTIONS

### Transactions with CEP Funds and acquisition entities

- (a) The general partner of CEP ["CEP GP"], an entity which is controlled by Clairvest, is entitled to participate in distributions made by CEP equal to 20% of all net gains ["carried interest"] of CEP as governed by its limited partnership agreement. 10% of the carried interest was allocated to Clairvest and the remaining 10% was allocated to principals and employees of Clairvest via a limited partnership ["Participation Partnership"], the general partner of which is Clairvest and the limited partners are principals and employees of Clairvest. During the third quarter of fiscal 2016, CEP GP earned \$0.2 million [2015 - nil] in carried interest from CEP, 50% of which or \$0.1 million [2015 - nil] was ultimately paid to Clairvest, and the other 50% or \$0.1 million [2015 - nil] was ultimately paid to the limited partners of Participation Partnership. Subsequently, 2486303 Ontario purchased the 10% carried interest entitled by Participation Partnership for \$1.2 million. As at December 31, 2015, CEP had declared and paid distributions to CEP GP totaling \$23.6 million [March 2015 - \$23.3 million], 50% of which or \$11.8 million [March 2015 - \$11.6 million] was ultimately paid to Clairvest and the other 50% or \$11.8 million [March 2015 - \$11.6 million] was ultimately paid to the limited partners of Participation Partnership. During the third quarter of fiscal 2016, \$0.8 million [2015 - nil] was ultimately paid to key management.

As at December 31, 2015, if CEP were to sell all of its corporate investments at their current fair values, CEP GP would receive up to \$2.5 million [March 2015 - \$1.8 million] in carried interest from CEP. As described in *note 2[e]*, Clairvest has recorded the \$2.5 million [March 2015 - \$1.8 million] as carried interest receivable on the consolidated statements of financial position, with a \$1.2 million payable owed to 2486303 Ontario.

- (b) As the general partner of CEP III, Clairvest is entitled to a priority distribution from CEP III. Effective January 13, 2011, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of fees earned by Clairvest from corporate

investments of CEP III. During the third quarter of fiscal 2016, CEP III declared to Clairvest priority distributions of \$0.2 million [2015 – \$0.4 million]. As per the Limited Partnership Agreement, fees of \$0.1 million [2015 – \$0.1 million] from corporate investments of CEP III were netted against the priority distributions.

The general partners of CEP III [“CEP III GPs”] are entitled to a 20% carried interest in respect of CEP III as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP III, the general partner of which is Clairvest and the limited partners of which are principals and employees of Clairvest. The limited partners of MIP III have purchased, at fair market value, units of the MIP III. From time to time, additional units in MIP III may be purchased by the limited partners of MIP III. During the third quarter of fiscal 2016, CEP III GPs earned \$5.4 million [2015 – nil] in carried interest from CEP III, 50% of which, or \$2.7 million [2015 – nil], was ultimately paid to Clairvest, and the other 50% or \$2.7 million [2015 – nil] was ultimately paid to the limited partners of MIP III. As at December 31, 2015, CEP III had declared and paid distributions to CEP III GPs totaling \$38.7 million [March 2015 – \$33.3 million], 50% of which, or \$19.4 million [March 2015 – \$16.6 million], was ultimately paid to Clairvest and the other 50% or \$19.4 million [March 2015 – \$16.6 million] was ultimately paid to the limited partners of MIP III. During the third quarter of fiscal 2016, \$1.4 million [2015 - nil] was ultimately paid to key management.

As at December 31, 2015, if CEP III were to sell all of its corporate investments at their current fair values, CEP III GPs would receive up to \$13.9 million [March 2015 - \$21.9 million] in carried interest from CEP III. As described in *note 2[e]*, Clairvest has recorded the \$13.9 million [March 2015 - \$21.9 million] as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of MIP III, or \$7.0 million [March 2015 - \$11.0 million] recorded as a management participation liability on the consolidated statements of financial position.

- (c) As described in *note 14[a]*, Clairvest is required to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest was established in fiscal 2007 as the investment vehicle for this purpose. CEP III Co-Invest has three limited partners, Clairvest, 2141788 Ontario and MIP III. MIP III has invested \$1.1 million in CEP III Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP III Co-Invest via the general partner of CEP III Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$0.2 million in carried interest received by MIP III, and the remaining carried interest are the entitlements of the limited partners of MIP III.

During the third quarter of fiscal 2016, CEP III Co-Invest paid \$0.7 million [2015 – nil] to MIP III with respect to this carried interest entitlement. As at December 31, 2015, CEP III Co-Invest had paid distributions to MIP III totaling \$4.8 million [March 2015– \$4.1 million] with respect to this carried interest entitlement. As at December 31, 2015, if CEP III Co-Invest were to sell its corporate investments at their current fair values, the limited partners of MIP III, via the general partner of CEP III Co-Invest, would receive up to \$3.9 million [March 2015 – \$4.7 million] in carried interest from CEP III Co-Invest based on the terms described above, the amount of which has been recorded as a management participation liability on the consolidated statements of financial position.

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 December 31, 2015, \$1.9 million [March 2015 – \$1.8 million] has been received by Clairvest.

- (d) As general partner of CEP IV, Clairvest is entitled to a priority distribution from CEP IV. From January 14, 2011 to January 13, 2016, the priority distribution is calculated monthly as 0.1667% of committed capital, and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by Clairvest from corporate investments of CEP IV. During the third quarter of fiscal 2016, CEP IV declared to Clairvest priority distributions of \$1.3 million [2015 – \$1.4 million]. As per the Limited Partnership Agreement, fees of \$0.2 million [2015 – \$0.1 million] from corporate investments of CEP IV were netted against the priority distributions.

The general partners of CEP IV [“CEP IV GPs”] are entitled to a 20% carried interest in respect of CEP IV as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP IV, the general partner of which is Clairvest and the limited partners of which are principals and employees of Clairvest. The limited partners of MIP IV have purchased, at fair market value, units of the MIP IV. From time to time, additional units in MIP IV may be purchased by the limited partners of MIP IV. No carried interest has been declared and paid by CEP IV to CEP IV GPs as at December 31, 2015.

As at December 31, 2015, if CEP IV were to sell all of its corporate investments at their current fair values, CEP IV GP would receive up to \$32.2 million [March 2015 - \$24.6 million] in carried interest from CEP IV. As described in *note 2[e]*, Clairvest has recorded the \$32.2 million [March 2015 - \$24.6 million] as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of MIP IV, or \$16.1 million [March 2015 - \$12.3 million] recorded as a management participation liability on the consolidated statements of financial position.

- (e) As manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. From January 14, 2011 to January 13, 2016, the management fee is calculated monthly as 0.1667% of committed capital, and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by Clairvest from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement. During the third quarter of fiscal 2016, Clairvest earned management fees of \$0.2 million [2015 – \$0.2 million] as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, \$0.1 million [2015 – \$0.1 million] was netted against the management fees.

The general partner of CEP IV-A [“CEP IV-A GP”], an entity which is controlled by Clairvest, is entitled to a 20% carried interest in respect of CEP IV-A as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP IV. No carried interest has been declared and paid by CEP IV-A to CEP IV-A GP as at December 31, 2015.

As at December 31, 2015, if CEP IV-A were to sell all of its corporate investments at their current fair values, CEP IV-A GP would receive up to \$7.3 million [March 2015 - \$5.4 million] in carried interest from CEP IV-A. As described in *note 2[e]*, Clairvest has recorded the \$7.3 million [March 2015 - \$5.4 million] as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of MIP IV, or \$3.6 million [March 2015 - \$2.7 million] recorded as a management participation liability on the consolidated statements of financial position.

- (f) As described in *note 14[b]*, Clairvest is required to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle for this purpose. CEP IV Co-Invest has two limited partners, Clairvest and MIP IV. MIP IV has invested \$1.6 million in CEP IV Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP IV Co-Invest via the general partner of CEP IV Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$0.4 million in carried interest received by MIP IV, and the remaining carried interest are the entitlements of the limited partners of MIP IV.

As at December 31, 2015, if CEP IV Co-Invest were to sell all of its corporate investments at their current fair values, MIP IV would receive up to \$8.0 million [March 2015 - \$6.2 million] in carried interest from CEP IV Co-Invest based on the terms described above, the amount of which has been recorded as a management participation liability on the statements of financial position. To date, CEP IV Co-Invest has not made any carried interest payments to MIP IV.

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 December 31, 2015.

- (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: [i] from March 2, 2015 to January 13, 2016, 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; [ii] from January 14, 2016 to January 13, 2021, 0.1667% of committed capital; and [iii] 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 third quarter of fiscal 2016, CEP V declared to Clairvest priority distributions of \$0.1 million.

The general partners of CEP V [“CEP V GPs”] are entitled to a 20% carried interest in respect of CEP V as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP V, the general partner of which is Clairvest and the limited partners of which are principals and employees of Clairvest. The limited partners of MIP V have purchased, at fair market value, units of the MIP V.



From time to time, additional units in MIP V may be purchased by the limited partners of MIP V. No carried interest has been declared and paid by CEP V to CEP V GPs at December 31, 2015.

- (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: [i] from March 2, 2015 to January 13, 2016, 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; [ii] from January 14, 2016 to January 13, 2021, 0.1667% of committed capital; and [iii] 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 third quarter of fiscal 2016, Clairvest earned management fees of \$18 thousand as compensation for its services in the administration of the portfolio of CEP V-A.

The general partner of CEP V-A [“CEP V-A GP”], an entity which is controlled by Clairvest, is entitled to a 20% carried interest in respect of CEP V-A as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP V. No carried interest has been declared and paid by CEP V-A to CEP V-A GP as at December 31, 2015.

- (i) As described in *note 14[c]*, Clairvest is required to co-invest alongside CEP V and CEP V-A in all investments undertaken by CEP V and CEP V-A. CEP V Co-Invest was established in fiscal 2015 as an investment vehicle for this purpose. CEP V Co-Invest has three limited partners, Clairvest, 2141788 Ontario and MIP V. MIP V has committed to invest \$2.4 million in CEP V Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP V Co-Invest via the general partner of CEP V Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$1.4 million in carried interest received by MIP V, and the remaining carried interest are the entitlements of the limited partners of MIP V.

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 at December 31, 2015.

- (j) As at September 30, 2015, the Company had advanced loans totaling \$8.9 million to CEP III bearing interest at the Reference Rate in accordance with CEP III’s Limited Partnership Agreement. Additional loans totaling \$0.5 million were made by the Company to CEP III during the third quarter of fiscal 2016. Also during the third quarter of fiscal 2016, CEP III repaid the loans in full. Interest of \$1 thousand [2015 – \$14 thousand] was earned from loans to CEP III during the third quarter of fiscal 2016.
- (k) As at September 30, 2015, the Company had advanced loans totaling \$21.7 million to CEP IV bearing interest at the Reference Rate in accordance with CEP IV’s Limited Partnership Agreement. Additional loans totaling \$23.1 million were made by the Company to CEP IV during the third quarter of fiscal 2016. Also during the third quarter of fiscal 2016, CEP IV repaid \$42.6 million such that \$2.2 million were outstanding at December 31, 2015. Interest of \$0.2 million [2015 – \$0.2 million] was earned from loans to CEP IV during the third quarter of fiscal 2016. Additionally, 2141788 Ontario had advanced to CEP IV \$4.6 million in loans under the same terms and remained outstanding at December 31, 2015. These loans have been included in the fair value of Clairvest’s acquisition entities on the consolidated statements of financial position.
- (l) As at September 30, 2015, the Company had advanced loans totaling \$3.0 million to CEP IV-A bearing interest at the Reference Rate in accordance with CEP IV-A’s Limited Partnership Agreement. Additional loans totaling \$3.6 million were made by the Company to CEP IV-A during the third quarter of fiscal 2016. Also during the third quarter of fiscal 2016, CEP IV-A repaid \$6.2 million such that \$0.4 million were outstanding at December 31, 2015. Interest of \$24 thousand [2015 - \$15 thousand] was earned from loans to CEP IV-A during the third quarter of fiscal 2016.
- (m) As at September 30, 2015, the Company had advanced loans totaling \$17.0 million to CEP V bearing interest at the Reference Rate in accordance with CEP V’s Limited Partnership Agreement. Additional loans totaling \$33.5 million were made by the Company to CEP V during the third quarter of fiscal 2016. Also during the third quarter of fiscal 2016, CEP V repaid \$49.5 million such that \$1.0 million were outstanding at December 31, 2015. Interest of \$0.1 million [2015 – nil] was earned from loans to CEP V during the third quarter of fiscal 2016. Additionally, 2141788 Ontario had advanced to CEP V \$1.1 million in loans under the same terms and remained outstanding at December 31, 2015. These loans have been included in the fair value of Clairvest’s acquisition entities on the consolidated statements of financial position.

- (n) As at September 30, 2015, the Company had advanced loans totaling \$3.2 million to CEP V-A bearing interest at the Reference Rate in accordance with CEP V-A's Limited Partnership Agreement. Additional loans totaling \$6.2 million were made by the Company to CEP V-A during the third quarter of fiscal 2016. Also during the third quarter of fiscal 2016, CEP V-A repaid \$9.2 million such that \$0.2 million were outstanding at December 31, 2015. Interest of \$23 thousand [2015 - nil] was earned from loans to CEP IV-A during the third quarter of fiscal 2016.
- (o) As at September 30, 2015, the Company had advanced non-interest bearing loans totaling \$3.5 million to CEP III Co-Invest. The loans were repaid in full during the third quarter of fiscal 2016.
- (p) As at September 30, 2015, the Company had advanced non-interest bearing loans totaling \$10.0 million to CEP IV Co-Invest. Additional loans totaling \$9.5 million were made by the Company to CEP IV Co-Invest during the third quarter of fiscal 2016. Also during the third quarter of fiscal 2016, CEP IV Co-Invest repaid \$10.2 million such that \$9.3 million were outstanding at December 31, 2015.
- (q) As at September 30, 2015, the Company had advanced non-interest bearing loans totaling \$8.6 million to CEP V Co-Invest. Additional loans totaling \$8.8 million were made by the Company to CEP V Co-Invest during the third quarter of fiscal 2016. Also during the third quarter of fiscal 2016, CEP V Co-Invest repaid \$16.9 million such that \$0.5 million were outstanding at December 31, 2015.
- (r) During the third quarter of fiscal 2016, the Company advanced \$11.0 million to 2486303 Ontario bearing interest at 10% per annum which remained outstanding at December 31, 2015.
- (s) During the third quarter of fiscal 2016, CEP III Co-Invest advanced \$0.1 million in non-interest bearing loans to Clairvest which were repaid in full subsequent to quarter end.

#### Other related-party transactions

- (t) Included in accounts receivable and other assets at December 31, 2015 are share purchase loans made to certain officers of the Company totaling \$2.2 million [March 2015 – \$2.2 million]. The share purchase loans bear interest which is paid annually, have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of \$3.0 million [March 2015 – \$3.2 million]. None of these loans were made to key management [March 2015 - nil]. Also included in accounts receivable and other assets are other loans made to certain officers of a company affiliated with Clairvest totaling \$0.9 million [March 2015 – \$0.5 million]. The loans to officers of the affiliated company bear interest which is paid quarterly. Loans are repayable upon departure of the officer. Interest of \$16 thousand was earned on the loans during the quarter. Also included in accounts receivable and other assets were receivables as follows:

	December 31, 2015	March 31, 2015
Clairvest's investee companies	2,155	2,867
CEP	-	3
CEP III	216	1,036
CEP IV	12,198	6,205
CEP IV-A	772	264
CEP V	4,323	1,064
CEP V-A	928	189
	<b>20,592</b>	11,628
Other accounts receivables and prepaid expenses	1,077	648
Share purchase loans and loans to officers of affiliated company	3,176	2,779
	<b>24,845</b>	15,055

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

- (u) During the third quarter of fiscal 2016, Clairvest earned \$2.2 million [2015 – \$0.9 million] in distributions and interest income and \$0.4 million [2015 – \$0.3 million] in advisory and other fees from its investee companies. Additionally, acquisition entities which were not consolidated by the Company as described in *note 7* earned \$5.9 million [2015 – \$2.6 million] in distributions and interest income, \$0.1 million [2015 – \$34 thousand] in dividend income and \$0.1 million [2015 – \$0.1 million] in advisory and other fees from its investee companies.

- (v) 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

The stock option plan has a cash settlement feature. Stock options granted vest at a rate of one-fifth of the grant at the end of each year over a 5 year period. During the third quarter of fiscal 2016, 45,000 options were exercised for shares, increasing share capital by \$1.3 million. Also during the quarter, 310,000 options were exercised under the cash settlement feature for \$5.5 million and had no impact to share capital. As at December 31, 2015, there were no stock options outstanding [March 2015 – 555,000]. For the quarter ended December 31, 2015, Clairvest recognized a stock-based compensation expense recovery of \$0.2 million.

As at December 31, 2015, a total of 241,811 [March 2015 – 229,103] Deferred Share Units [“DSUs”] were held by directors of the Company, the accrual in respect of which was \$7.1 million [March 2015 – \$6.5 million] and has been included in share-based compensation liability. For the quarter ended December 31, 2015, Clairvest recognized an expense recovery of \$0.3 million with respect to DSUs.

As December 31, 2015, a total of 120,000 [March 2015 – 105,000] Appreciation Deferred Share Units [“ADSUs”] were held by directors of the Company, the accrual in respect of which was \$1.7 million [March 2015 – \$1.6 million] and has been included in share-based compensation liability. For the quarter ended December 31, 2015, Clairvest recognized an expense of \$0.2 million with respect to ADSUs.

As December 31, 2015, a total of 1,119,348 [March 2015 – 1,105,692] Book Value Appreciation Rights Units [“BVARs”] were held by employees and directors of Clairvest, the accrual in respect of which was \$7.5 million [March 2015 – \$6.6 million] and has been included in share-based compensation liability, and a further \$4.7 million [March 2015 - \$6.2 million] not accrued as those BVARs have not vested. For the quarter ended December 31, 2015, Clairvest recognized an expense of \$0.2 million with respect to BVARs.

### Compensation paid and payable to key management

Key management at Clairvest are the Co-Chief Executive Officers [“Co-CEOs”] and its directors. The Co-CEOs are entitled to annual discretionary cash bonuses of up to 175% of their individual annual salary based on individual performance. There is also an annual objective cash bonus which is based on Clairvest’s Incentive Bonus Program as described in *note 14[h]*, a stock option plan and a book value appreciation rights plan. Aggregate compensation paid for the quarters ended December 31 to the Co-CEOs was as follows:

[\$'000s]	Quarter ended December 31		Nine months ended December 31	
	2015	2014	2015	2014
<b>Paid:</b>				
Salaries	163	163	489	489
Annual incentive plans <sup>(1)</sup>	143	143	1,506	3,150
Stock options	5,971	–	10,110	–
	<b>6,277</b>	<b>306</b>	<b>12,105</b>	<b>3,639</b>

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

[\$'000s]	<u>December 31, 2015</u>	March 31, 2015
<b>Payable:</b>		
Annual incentive plans	2,081	2,243
Stock options	–	9,226
Book value appreciation rights	2,105	1,203
	<u>4,186</u>	<u>12,672</u>

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

## 12. CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in non-cash working capital balances related to operations for the quarters ended December 31 are detailed as follows:

[\$'000s]	<u>2015</u>	2014
Accounts receivable and other assets	[2,561]	[1,564]
Income taxes receivable	[56]	5,745
Accounts payable and accrued liabilities	603	[509]
Income taxes payable	[27]	461
Accrued compensation expense	493	460
	<u>[1,548]</u>	<u>4,593</u>

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

[\$'000s]	<u>December 31, 2015</u>	March 31, 2015
Cash	9,860	8,743
Cash equivalents	82,726	89,901
	<u>92,586</u>	<u>98,644</u>

## 13. DERIVATIVE INSTRUMENTS

The Company and its acquisition entities entered into foreign exchange forward contracts as economic hedges against the fair value of its foreign-denominated investments and loans unless a specific exemption is approved by the Board of Directors. During the third quarter of fiscal 2016, the Company realized \$1.6 million in losses [2015 – \$24 thousand] on expired foreign exchange forward contracts which have been recorded in finance and foreign exchange expense in the consolidated statements of income.

As at December 31, 2015, the Company had entered into foreign exchange forward contracts as hedges against its direct and indirect foreign-denominated investments and loans as follows:

Foreign exchange forward contracts to sell US\$7.5 million [March 2015 – US\$28.9 million] at an average rate of Canadian \$1.3143 per U.S. dollar [March 2015 – \$1.1175] through to February 2016. The fair value of the forward contracts at December 31, 2015 is a loss of \$0.5 million [March 2015 –\$4.3 million] and has been recognized on the consolidated statements of financial position as derivative instruments liability.

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

Foreign exchange forward contracts to sell US\$119.5 million [March 2015 – US\$99.9 million] and buy US\$4.3 million [March 2015 – US\$0.6 million] at an average rate of Canadian \$1.2951 per U.S. dollar [March 2015 – \$1.2010] through to August 2016. The fair value of the forward contracts at December 31, 2015 is a loss of \$10.2 million [March 2015 – \$6.8 million].

Foreign exchange forward contracts to sell 14.7 billion Chilean Pesos [“CLP”] [March 2015 – 14.7 billion] at an average rate of Canadian \$0.001909 per CLP [March 2015 – \$0.001909] through to January 2016. The fair value of these contracts at December 31, 2015 is a loss of \$0.5 million [March 2015 – \$1.1 million].

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

Included in cash and cash equivalents on the consolidated statements of financial position at December 31, 2015, was \$4.7 million [March 2015 – \$4.9 million] Clairvest had funded to a counterparty as collateral for its foreign exchange forward contracts and those of its acquisition entities.

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

- (a) Clairvest, 2141788 Ontario and MIP III have committed to co-invest alongside CEP III via CEP III Co-Invest in all investments undertaken by CEP III. CEP III Co-Invest's co-investment commitment is \$75.0 million, \$15.2 million [March 2015 – \$15.2 million] of which remains unfunded at December 31, 2015. In accordance with the co-investment agreement, the proportion of the commitment amongst Clairvest, 2141788 Ontario and MIP III is at their own discretion. CEP III Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.
- (b) Clairvest and MIP IV have committed to co-invest alongside CEP IV and CEP IV-A via CEP IV Co-Invest in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest's co-investment commitment is \$125.0 million, \$24.0 million [March 2015 – \$36.8 million] of which remained unfunded at December 31, 2015. In accordance with the co-investment agreement, the proportion of the commitment between Clairvest and MIP IV is at their own discretion. CEP IV Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.
- (c) Clairvest, 2141788 Ontario and MIP V have committed to co-invest alongside CEP V and CEP V-A via CEP V Co-Invest in all investments undertaken by CEP V and CEP V-A. CEP V Co-Invest's co-investment commitment is \$180 million, \$169.8 million [March 2015 – \$169.9 million] of which remained unfunded at December 31, 2015. In accordance with the co-investment agreement, the proportion of the commitment amongst Clairvest, 2141788 Ontario and MIP V is at their own discretion. CEP V Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP V and CEP V-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP V and CEP V-A.
- (d) Clairvest has committed \$25.2 million to Wellington Fund IV, all of which became unfunded upon a 100% return of capital during the quarter [March 2015 – \$10.8 million unfunded]. 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, \$15.6 million of which remained unfunded at December 31, 2015. Refer to *note 7* for events during the quarter pertaining to Wellington Fund IV and Wellington Fund V.
- (f) As at December 31, 2015, Clairvest has received profit distributions totaling \$5.7 million [March 2015 – \$4.6 million] through its ownership interest in the General Partner of Wellington Fund III and Wellington Fund IV. As a result of Wellington Fund V purchasing the loan portfolio from Wellington Fund IV at fair market value and the limited partners of Wellington Fund IV have earned their return threshold as specified in the Limited Partnership Agreement, no amounts are required to be repaid by Clairvest. Clairvest has guaranteed up to amounts received by the General Partner, the clawback provisions entered into by the General Partner in the event the limited partners of Wellington Fund V do not meet their return threshold as specified in the respective Limited Partnership Agreements. As at December 31, 2015 no amounts have been received by Clairvest through its ownership interest in the General Partner of Wellington Fund V.
- (g) Clairvest had guaranteed up to US\$10.0 million of CEP III's obligations to a Schedule 1 Canadian chartered bank under CEP III's foreign exchange forward contracts with the bank.
- (h) Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable [the "Realized Amount"]. As at December 31, 2015, the Realized Amount under the Bonus Program was \$0.3 million [March 2015 – \$1.4 million] and has been accrued under accrued compensation expense liability. In accordance with IFRS, Clairvest is also required to record a liability equal to a bonus of 10% of the after-tax cash income and realizations which are applicable but which have yet to be realized. Accordingly, Clairvest also recorded a \$3.0 million [March 2015 – \$2.8 million] accrued compensation expense liability that would only be payable to management when the

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

- (i) Clairvest had guaranteed to fund any cash flow or debt service shortfalls of Casino New Brunswick for a specified period of time. During the quarter, the guarantee was extinguished upon the sale of Casino New Brunswick. 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 December 31, 2015, no amounts with respect to this guarantee has been funded.
- (j) An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile S.A., Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at December 31, 2015, no amounts subject to this guarantee have been funded or are owing. Subsequent to quarter end, the guarantee has been extinguished.
- (k) As part of the holding structure of Chilean Gaming Holdings, an acquisition entity of CEP III Co-Invest had loans totaling \$41.3 million at December 31, 2015 [March 2015 – \$40.7 million] from an unrelated financial institution, while another acquisition entity of CEP III Co-Invest held term deposits totaling \$41.3 million at December 31, 2015 [March 2015 – \$40.7 million] with the same financial institution as security for these loans. CEP III Co-Invest's ownership of both acquisition entities was 36.8% at December 31, 2015.
- (l) Clairvest has agreed to guarantee up to \$10.0 million to support Discovery Air's credit facility with its bank. As at December 31, 2015, \$4.9 million of the guarantee had been committed by Clairvest. Subsequent to quarter end, Clairvest consented to increase the guarantee to \$7.4 million, \$4.9 million of which has been drawn. Any additional guarantee is subject to Clairvest's consent at its sole discretion.
- (m) As at December 31, 2015, the Company had future minimum annual lease payments under non-cancellable operating leases for the use of office space of \$0.4 million [March 2015 – \$0.3 million] due within one year and \$1.4 million [March 2015 – \$1.7 million] due after one year but not more than five years.
- (n) In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

## 15. RISK MANAGEMENT

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

### *Credit risk*

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the quarter ended December 31, 2015, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure at December 31, 2015 and March 31, 2015, net of any allowances for losses, were as follows:

[\$'000s]	December 31 2015	March 31 2015
<b>Financial Assets</b>		
Cash and cash equivalents	92,586	98,644
Temporary investments	21,923	58,511
Accounts receivable <sup>[1]</sup>	23,857	14,408
Loans receivable <sup>[2]</sup>	5,989	6,732
Corporate investments <sup>[3]</sup>	297,318	263,359
	<b>441,673</b>	<b>441,654</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 is with its acquisition entities, its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies, by reviewing the financial condition of investee companies regularly, and through its fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

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

[\$'000s]	December 31 2015	March 31 2015
<b>Cash</b>	<b>9,860</b>	8,743
<b>Money market savings accounts</b>		
R1-High	59,247	41,262
<b>Guaranteed investment certificates and investment savings accounts</b>		
AA	36,675	76,603
A+	2,557	2,534
A	201	7,588
BBB+ <sup>[1]</sup>	101	101
BBB <sup>[1]</sup>	101	—
Not rated <sup>[1]</sup>	101	101
<b>Corporate bonds and loans</b>		
B <sup>[2]</sup>	—	20,223
B- <sup>[2]</sup>	5,666	—
<b>Total cash, cash equivalents and temporary investments</b>	<b>114,509</b>	157,155

<sup>(1)</sup> Principal protected by the Canada Deposit Insurance Corporation.

<sup>(2)</sup> Pertains to Clairvest's treasury investment in Light Tower Rentals as described in *note 4*.

### **Market risk**

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

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

If interest rates were higher or lower by 1% per annum, the potential effect would be an increase or decrease of \$0.3 million to distributions and interest income on a pre-tax basis for the quarter ended December 31, 2015.

The Company's investee companies are diversified across 16 companies in 8 industries and 3 countries as at December 31, 2015. Concentration risk by industry and by country, was as follows:

[\$'000s]	December 31, 2015				March 31, 2015			
	Canada	United States	Chile	Fair value	Canada	United States	Chile	Fair value
Contract manufacturing	—	10,059	—	10,059	—	9,380	—	9,380
Defense services	16,898	5,828	—	22,726	16,518	3,980	—	20,498
Equipment rental	19,354	—	—	19,354	16,984	11,629	—	28,613
Financial services	19,281	—	—	19,281	18,069	—	—	18,069
Gaming	16,135	101,974	43,819	161,928	11,033	83,659	34,703	129,395
Outdoor advertising	9,597	—	—	9,597	7,411	—	—	7,411
Specialty aviation	16,898	—	—	16,898	16,518	—	—	16,518
Textile rental service	—	—	—	—	—	809	—	809
Waste management	—	32,944	—	32,944	—	27,585	—	27,585
Other	1,525	3,006	—	4,531	1,616	3,465	—	5,081
<b>Total</b>	<b>99,688</b>	<b>153,811</b>	<b>43,819</b>	<b>297,318</b>	<b>88,149</b>	<b>140,507</b>	<b>34,703</b>	<b>263,359</b>

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

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. The Company has also advanced loans to investee companies which are denominated in foreign currency. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest and its acquisition entities hedge 100% of the fair value of its foreign-denominated investments and loans unless a specific exemption is approved by the Board of Directors.

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

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

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Accounts payable, loans payable, and derivative instruments have maturities of less than one year. Management participation liability, share-based compensation liability, and amounts accrued under the Bonus Program are only due upon cash realization or completion of the respective vesting period. Total unfunded commitments to co-invest alongside the CEP Funds, as described in *note 14* were \$208.9 million as at December 31, 2015 [March 2015 – \$233.3 million]. The timing of any amounts to be funded under these commitments is dependent upon the timing of investment acquisitions, which are made at the sole discretion of the Company. In addition to its commitments to co-invest alongside the CEP Funds, the Company has unfunded commitments of \$25.2 million and \$15.6 million to Wellington Fund IV and Wellington Fund V respectively.

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

As at December 31, 2015, Clairvest had treasury funds of \$114.5 million [March 2015 – \$157.2 million] and access to \$95.0 million [March 2015 - \$95.0 million] through its credit facilities to support its current and anticipated corporate investments. Clairvest also has access to \$46.8 million [March 2015 - \$30.9 million] in treasury funds held by acquisition entities of Clairvest.



## 16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

### [a] Fair value hierarchy

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

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

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

[\$'000s]	December 31, 2015				March 31, 2015
	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					
Investment savings accounts	23,479	—	—	23,479	48,639
Money market savings accounts	59,247	—	—	59,247	41,262
	<b>82,726</b>	<b>—</b>	<b>—</b>	<b>82,726</b>	<b>89,901</b>
Temporary investments					
Guaranteed investment certificates	—	16,257	—	16,257	38,288
Corporate bonds and loans	—	5,666	—	5,666	20,223
	—	<b>21,923</b>	—	<b>21,923</b>	<b>58,511</b>
Corporate investments	—	127	316,579	316,706	291,421
	<b>82,726</b>	<b>22,050</b>	<b>316,579</b>	<b>421,355</b>	<b>439,833</b>
[\$'000s]	December 31, 2015				March 31, 2015
	Fair value measurements using			Assets / liabilities at fair value	Assets / liabilities at fair value
	Level 1	Level 2	Level 3		
<b>Financial liabilities</b>					
Derivative instruments	—	523	—	523	4,341
	—	<b>523</b>	—	<b>523</b>	<b>4,341</b>

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

During the quarter ended December 31, 2015, there were no transfers between the various levels of the fair value hierarchy.

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

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

[\$'000s]	For the quarter ended December 31, 2015					Unrealized gains [losses] and foreign exchange revaluations included in earnings for assets and liabilities for the quarter ended December 31, 2015 for positions still held
	Fair value October 1, 2015	Total realized / unrealized gains [losses] and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value December 31, 2015	
<b>Financial assets</b>						
Corporate investments	309,027	7,190	15,116	[14,754]	316,579	7,177
	309,027	7,190	15,116	[14,754]	316,579	7,177

[\$'000s]	For the nine months ended December 31, 2015					Unrealized gains [losses] and foreign exchange revaluations included in earnings for assets and liabilities for the quarter ended December 31, 2015 for positions still held
	Fair value April 1, 2015	Total realized / unrealized gains [losses] and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value December 31, 2015	
<b>Financial assets</b>						
Corporate investments	291,312	23,049	16,972	[14,754]	316,579	23,036
	291,312	23,049	16,972	[14,754]	316,579	23,036

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

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

December 31, 2015	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>
Profit participation, corporate bonds, debentures or loans not traded	<b>Discounted cash flows</b>	<b>Discount rates</b>	<b>8.0% to 15.0%</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. Nine investee companies are valued using the earnings multiple approach. If the Company had used an earnings multiple for each investee company that was higher or lower by 0.5 times, the potential effect would be an increase of \$20.7 million or decrease

of \$19.4 million to the carrying value of corporate investments and net investment gains, on a pre-tax basis for the quarter ended December 31, 2015. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

Clairvest may also use information about recent transactions carried out in the market for valuations of private equity investments when this value is the most representative indication of fair value. The fair value of corporate bonds, debentures or loans is primarily determined using discounted cash flow technique which uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows. For those investments valued based on recent transactions or discounted cash flows, Clairvest has determined that there are no alternative assumptions that would change the fair value significantly at December 31, 2015 and March 31, 2015.

## **17. CAPITAL DISCLOSURES**

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

Clairvest's objectives in managing capital are to:

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

As at December 31, 2015, Clairvest had no external capital requirements, other than as disclosed in *note 14*.

## **18. SUBSEQUENT EVENTS**

Subsequent to quarter end, Chilean Gaming Holdings increased its ownership in Casino Osorno and in Casino Sol Calama, both located in Chile, through a buyout of the operating partner by the entity which owns Casino Marina del Sol, located in Concepcion, Chile. Upon completion of this transaction, Chilean Gaming Holdings increased its ownership in each of Casino Osorno and Casino Sol Calama from 48.8% to 73.8%, and continues to hold a 50% ownership in Casino Marina del Sol. Clairvest, through CEP III Co-Invest, owns a 36.8% equity interest in Chilean Gaming Holdings.

## **19. 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.