

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Clairvest Group Inc. were prepared by management, which is responsible for the integrity and fairness of the financial information presented. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized and that financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. Under the supervision of management, an evaluation of the effectiveness of the Company's internal control over financial reporting was carried out for the year ended March 31, 2018. Based on that evaluation, management concluded that the Company's internal control over financing reporting was effective for the year ended March 31, 2018.

The Board of Directors carries out its responsibility for the consolidated financial statements in this annual report principally through its Audit Committee. The Audit Committee, which comprised three non-management Directors during the year ended March 31, 2018, meets periodically with management and with external auditors to discuss the scope and results with respect to financial reporting of the Company. The Audit Committee has reviewed the consolidated financial statements with management and with the independent auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Ernst & Young LLP, appointed external auditors by the shareholders, have audited the consolidated financial statements and their report is included herewith.



B. Jeffrey Parr
Vice Chairman



Daniel Cheng
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CLAIRVEST GROUP INC.

We have audited the accompanying consolidated financial statements of **Clairvest Group Inc.**, which comprise the consolidated statements of financial position as at March 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Clairvest Group Inc.** as at March 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada
June 27, 2018

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Chartered Professional Accountants
Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at March 31

\$000s	2018	2017
ASSETS		
Cash and cash equivalents (notes 3, 13 and 16)	\$ 95,592	\$ 106,205
Temporary investments (note 3)	36,582	15,964
Restricted cash (notes 6(p), 15(k) and 16)	15,750	—
Accounts receivable and other assets (notes 9(m) and 16)	28,402	21,551
Loans receivable (notes 6, 9(l) and 16)	13,601	15,654
Derivative instrument (note 14)	—	24
Income taxes recoverable	394	2,029
Carried interest receivable (note 9(j))	127,900	98,322
Corporate investments (notes 6 and 16)	515,172	410,102
Fixed assets (notes 7 and 9(o))	1,496	2,100
	\$ 834,889	\$ 671,951
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities (note 9(o))	\$ 3,708	\$ 3,914
Income taxes payable	5,680	96
Accrued compensation expense (notes 12 and 15(g))	11,643	8,312
Share-based compensation (note 12)	31,326	21,705
Management participation (note 9)	91,267	67,050
Deferred income tax liability (note 10)	23,944	20,670
	\$ 167,568	\$ 121,747
Contingencies, commitments and guarantees (note 15)		
Shareholders' equity		
Share capital (note 11)	\$ 81,388	\$ 81,554
Retained earnings	585,933	468,650
	667,321	550,204
	\$ 834,889	\$ 671,951

See accompanying notes

On behalf of the Board:



MICHAEL BREGMAN
Director



JOSEPH J. HEFFERNAN
Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended March 31

\$000s (except per share information)	2018	2017
REVENUE		
Net investment gain (notes 4 and 6)	\$ 107,740	\$ 72,946
Distributions and interest income (notes 6 and 9)	51,245	20,266
Net carried interest income (note 5)	46,469	35,617
Dividend income	259	—
Management fees (notes 9(e) and 9(h))	1,304	1,311
Advisory and other fees (note 9(n))	1,172	1,330
	208,189	131,470
EXPENSES		
Employee compensation and benefits (notes 12 and 15(g))	13,108	11,342
Share-based compensation expenses (note 12)	17,105	10,992
Administration and other expenses	5,533	4,888
Finance and foreign exchange expenses (note 8)	901	814
Management participation (note 9)	34,848	23,834
	71,495	51,870
Income before income taxes	136,694	79,600
Income tax expense (note 10)	12,916	9,474
Net income and comprehensive income for the year	\$ 123,778	\$ 70,126
Basic and fully diluted net income and comprehensive income per share (note 11)	\$ 8.15	\$ 4.61

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended March 31

\$000s	Share capital	Retained earnings	Total shareholders' equity
As at April 1, 2017	\$ 81,554	\$ 468,650	\$ 550,204
Changes in shareholders' equity			
Net income and comprehensive income for the year		123,778	123,778
Dividends declared (\$0.3621 per share)		(5,502)	(5,502)
Purchase and cancellation of shares (note 11)	(166)	(993)	(1,159)
As at March 31, 2018	\$ 81,388	\$ 585,933	\$ 667,321
As at April 1, 2016	\$ 81,662	\$ 403,859	\$ 485,521
Changes in shareholders' equity			
Net income and comprehensive income for the year		70,126	70,126
Dividends declared (\$0.3191 per share)		(4,855)	(4,855)
Purchase and cancellation of shares (note 11)	(108)	(480)	(588)
As at March 31, 2017	\$ 81,554	\$ 468,650	\$ 550,204

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31

\$000s	2018	2017
OPERATING ACTIVITIES		
Net income and comprehensive income for the year	\$ 123,778	\$ 70,126
Add (deduct) items not involving a current cash outlay:		
Amortization and impairment of fixed assets	1,409	428
Share-based compensation	18,663	12,263
Deferred income tax expense	3,274	6,254
Net investment gain	(107,740)	(72,946)
Unrealized carried interest income and management participation	(5,361)	(11,240)
Non-cash items relating to foreign exchange forward contracts	(59)	100
Non-cash items relating to corporate investments	(21,824)	—
	12,140	4,985
Adjustments for:		
Net proceeds on sale (cost of acquisition) of temporary investments (notes 6(i), 6(j) and 9)	(20,618)	5,829
Net loan advanced	2,053	14,909
Proceeds from settlement of realized foreign exchange	83	457
Increase in restricted cash	(15,750)	—
Investments made in investee companies or acquisition entities	(38,709)	(21,110)
Return of capital from investee companies or acquisition entities	63,203	37,755
Settlement of share-based compensation liability (note 13)	(9,042)	(7,364)
	(18,780)	30,476
Net change in non-cash working capital balances related to operations (note 13)	3,493	11,605
Cash provided by (used in) operating activities	(3,147)	47,066
INVESTING ACTIVITIES		
Purchase of fixed assets, net of disposals	(805)	(668)
Cash used in investing activities	(805)	(668)
FINANCING ACTIVITIES		
Cash dividends paid	(5,502)	(4,855)
Purchase and cancellation of common shares (note 11)	(1,159)	(588)
Cash used in financing activities	(6,661)	(5,443)
Net increase (decrease) in cash during the year	(10,613)	40,955
Cash and cash equivalents, beginning of year (note 13)	106,205	65,250
Cash and cash equivalents, end of year	\$ 95,592	\$ 106,205
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest received	\$ 4,355	\$ 3,244
Distributions received	\$ 24,392	\$ 59,013
Income taxes paid	\$ 5,468	\$ 3,386
Interest paid	\$ 704	\$ 568

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

1. NATURE OF ACTIVITIES

Clairvest Group Inc. ("Clairvest" or the "Company") is a private equity management firm that specializes in partnering with management teams and other stakeholders of both emerging and established companies. The Company's shares are traded on the Toronto Stock Exchange ("TSX") under the 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"), CEP V HI India Investment Limited Partnership ("CEP V India") 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 investee companies 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 preparation

The consolidated financial statements of Clairvest are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These audited annual consolidated financial statements and related notes of Clairvest for the years ended March 31, 2018 and 2017 ("consolidated financial statements") were authorized for issuance by the Board of Directors on June 27, 2018.

The consolidated financial statements have been presented on a historical cost basis, except for certain financial instruments that have been measured at fair value. The 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. All values are rounded to the nearest thousand dollars (\$000s), except where otherwise indicated.

Basis of consolidation

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

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

The following entities, which are significant in nature, do not meet the definition of an investment entity and provide investment-related services on behalf of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

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

Interests in unconsolidated subsidiaries ("acquisition entities")

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

The following entities, which are significant in nature, are controlled by Clairvest either directly or indirectly and are used as acquisition entities of the Company that are accounted for at fair value rather than consolidated. These entities' principal place of business is in Canada.

2141788 Ontario Corporation ("2141788 Ontario")
2486303 Ontario Inc. ("2486303 Ontario")
CEP III Co-Investment Limited Partnership ("CEP III Co-Invest")
MIP III Limited Partnership ("MIP III")
CEP IV Co-Investment Limited Partnership ("CEP IV Co-Invest")
MIP IV Limited Partnership ("MIP IV")
CEP V Co-Investment Limited Partnership ("CEP V Co-Invest")
MIP V Limited Partnership ("MIP V")

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

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 9*. The Company concluded that its ownership interests in the CEP Funds do not meet the definition of control under IFRS. Accordingly, the financial positions and operating results of the CEP Funds and other funds it manages for certain co-investors are not included in Clairvest's consolidated financial statements.

(a) Classification and recognition of financial instruments

In accordance with International Accounting Standard 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.

Financial instruments designated as FVTPL through inception: Cash equivalents, temporary investments, derivative instruments, and corporate investments are designated as FVTPL upon initial recognition. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company. The Company does not apply hedge accounting to its derivative instruments.

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 direct and indirect investee companies ("investee companies") and the CEP Funds as well as other short-term receivables.

Other financial liabilities

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

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

(c) Temporary investments and corporate investments

The Company carries its temporary investments 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 from 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.

(d) Foreign currency translation

Income and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars using exchange rates in effect as at the consolidated statement of financial position dates. Non-monetary assets and liabilities that are measured at

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

historical cost are translated into Canadian dollars using the exchange rate at the date of transaction. Non-monetary assets and liabilities that are carried at fair value are translated into Canadian dollars using exchange rates at the date the fair value was determined. Exchange gains and losses are included in income in the period in which they occur. Foreign currency transaction gains and losses on financial instruments classified as FVTPL are included in the consolidated statements of comprehensive income as part of net investments gains.

(e) **Derivative instruments**

The Company and its acquisition entities enter into foreign exchange forward contracts to hedge their exposure to exchange rate fluctuations on their foreign currency-denominated investments and loans. These foreign exchange forward contracts and their underlying investments and loans are valued at exchange rates in effect as at the consolidated statement of financial position dates.

Foreign exchange forward contracts entered into by the Company are included in the consolidated statements of financial position as derivative instruments and are valued at fair value representing the estimated amount that the Company would have been required to pay, or received, had the Company settled the outstanding contracts as at the consolidated statement of financial position dates. Any unrealized gains or losses are included in finance and foreign exchange expense in the consolidated statements of comprehensive income.

Foreign exchange forward contracts entered into by the Company's acquisition entities are included in the fair value determination of these acquisition entities.

(f) **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.

(g) **Income taxes**

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company and its acquisition entities operate and generate taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

The Company records deferred income tax expense or recovery using the asset and liability method. Under this method, deferred income taxes reflect the expected deferred tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective income tax bases, as well as certain carryforward items. Deferred income tax assets and liabilities are determined for each temporary difference based on the income tax rates that are expected to be in effect when the asset or liability is settled. Deferred income tax assets are only recognized to the extent that, in the opinion of management, the most probable outcome is that the deferred income tax asset will be realized.

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

The Company's stock option plans allow for a cash settlement of stock options. As the economics to choose cash or shares as settlement is the same for all holders, compensation expense is recognized over the applicable vesting period and a corresponding liability is recorded based on the fair value of the outstanding stock options as at the consolidated statement of financial position dates. Fair value is measured by use of an appropriate option-pricing model. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees is credited to share capital. On the exercise of stock options for cash, the liability recorded is reduced and any difference between the liability accrued and the amount paid is charged to share-based compensation expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

(i) Deferred share unit plans

Directors of the Company may elect annually to receive all or a portion of their compensation in deferred share units ("DSUs") based on the closing price of a Clairvest common share on the date directors fees are payable. Upon redemption of DSUs, the Company pays to the participant a lump sum cash payment equal to the number of DSUs to be redeemed multiplied by the closing price of a Clairvest common share on the redemption date. A participant may redeem his or her DSUs only following termination of board service. Under the Company's DSU plan, a change to the fair value of the DSUs is charged to share-based compensation expense and recorded as a liability.

Certain directors were also granted appreciation deferred share units ("ADSUs"). Upon redemption of the ADSUs, the Company pays to the participant a lump sum cash payment equal to the number of ADSUs to be redeemed multiplied by the difference between the closing price of a Clairvest common share on the redemption date and the closing price of a Clairvest common share on the grant date. A participant may redeem his or her ADSUs only following termination of board service. Under the Company's ADSU plan, a change to the fair value of the ADSUs is charged to share-based compensation expense and recorded as a liability.

Certain employees of the Company may elect annually to receive all or a portion of their annual bonuses in employee deferred share units ("EDSUs"). The number of EDSUs granted to a participant is determined by dividing the amount of the elected bonuses to be received by way of EDSUs by the five-day volume-weighted average closing price of the Clairvest common shares. EDSUs may be redeemed for cash or for common shares of the Company. A participant may redeem his or her EDSUs only following termination of employment. Under the Company's EDSU plan, a change to the fair value of the EDSUs is charged to share-based compensation expense and recorded as a liability.

(j) Book value appreciation rights plan

The Company may elect to issue all or a portion of a participant's stock option grant by way of book value appreciation rights units ("BVARs"). Upon redemption of BVARs, the Company pays to the participant a lump sum cash payment equal to the number of BVARs to be redeemed multiplied by the increase in book value per share between the grant date and the redemption date, and grossed up such that the participant's after-tax proceeds equate to an amount as if the proceeds were taxed at the capital gains rate. The BVARs vest over a five-year period and the participant may only redeem his or her BVARs at the earlier of (i) five years from the grant date or (ii) cessation of employment with the Company.

Fair value of the BVARs is calculated based on the latest book value per share published at the time the value is being determined. As the Company's BVAR plan is a cash-settled plan, a change to the fair value of the BVARs is charged to share-based compensation expense and recorded as a liability.

(k) Entitlements of partners of a limited partnership

The Company consolidates acquisition entities which include various limited partnerships as described in *interests in unconsolidated subsidiaries* in note 2 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 consolidated financial statements.

(l) Fixed assets

Fixed assets are accounted for at cost less accumulated amortization. Leasehold improvements are amortized on a straight-line basis over the lease term including reasonably assured renewal options. All other fixed assets are amortized on a straight-line basis at the following rates per year:

Aircraft	10%
Computer equipment	30%
Computer software	50%
Furniture, fixtures and equipment	20%
Leasehold improvements	Term of lease

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

The Company assesses, at each reporting date, whether there is an indication that a fixed asset may be impaired. If any indication exists, the Company estimates the fixed asset's recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. When the carrying amount exceeds its recoverable amount, the fixed asset is considered impaired and is written down to its recoverable amount.

(m) **Net income and comprehensive income per share**

Basic net income and comprehensive income per share ("net income") are determined by dividing net income and comprehensive income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Fully diluted net income and comprehensive income per share are determined in accordance with the treasury stock method and are based on the weighted average number of common shares and dilutive common share equivalents outstanding during the year.

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

The preparation of consolidated financial statements in conformity with IFRS requires 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 year:

Determination of investment entity

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

Fair value of financial instruments

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

The Company assesses, at each reporting date, whether there is any objective evidence to revise the fair values of its financial instruments. The assessment of the fair value of a financial instrument requires significant judgment, where management evaluates, among other factors, the financial health and business outlook of their investees. Fair value information is presented in *note 17*.

Recognition of carried interest and corresponding expenses

The determination of the Company's unrealized carried interest receivable recorded on the consolidated statements of financial position is based on the fair values of the financial instruments held by the CEP Funds. As discussed previously, fair values of certain financial instruments are determined using valuation techniques and by their nature, the use of estimates and assumptions. Changes in the underlying estimates and assumptions could materially impact the determination of the fair value of these financial instruments. Imprecision in determining fair value using valuation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

techniques may affect the calculation of unrealized carried interest receivable and the resulting accrued liabilities for future payouts relating to the unrealized carried interest as at the consolidated statement of financial position dates.

Income taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. Judgment is required in determining whether deferred income tax assets should be recognized on the consolidated statements of financial position. Deferred income tax assets are recognized to the extent that the Company believes it is probable that the 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. 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. As at March 31, 2018, the yield ranged between 0.9% and 2.0% (2017 – between 0.8% and 0.9%) per annum with a weighted average rate of pre-tax return of 1.8% (2017 – 0.9%) per annum.

As at March 31, 2018, temporary investments comprised guaranteed investment certificates and other fixed income securities as permitted by the Company's treasury policy which in aggregate may not exceed 10% of book value and with no single issue greater than 1.5% of book value. Temporary investments have maturities greater than 90 days from the date of acquisition and through to April 2020. The yield on these investments ranged between 1.5% and 9.2% (2017 – between 1.4% and 1.7%) per annum, with a weighted average rate of pre-tax return of 3.8% (2017 – 1.5%) per annum. The composition of Clairvest's temporary investments as at March 31 was as follows:

	March 31, 2018			March 31, 2017
	Due in 1 year or less	Due after 1 year	Total	Total
Guaranteed investment certificates	\$ 19,074	\$ 203	\$ 19,277	\$ 15,964
Other fixed income securities	5,751	11,554	17,305	—
	\$ 24,825	\$ 11,757	\$ 36,582	\$ 15,964

4. NET INVESTMENT GAINS

Net investment gains for the years ended March 31, 2018 and 2017 comprised entirely of net changes in unrealized gains.

5. NET CARRIED INTEREST INCOME

Net carried interest income for the years ended March 31, 2018 and 2017 comprised the following:

	2018	2017
Realized carried interest income (note 9)	\$ 16,891	\$ 1,304
Net changes in unrealized carried interest (note 9(j))	29,578	34,313
	\$ 46,469	\$ 35,617

6. CORPORATE INVESTMENTS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

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:

	March 31, 2018			March 31, 2017		
	Investee companies	Acquisition entity net assets (liabilities)	Total	Investee companies	Acquisition entity net assets (liabilities)	Total
Held directly by Clairvest Group Inc.	\$ 27,325	\$ —	\$ 27,325	\$ 26,549	\$ —	\$ 26,549
Held through the following acquisition entities:						
2141788 Ontario	51,473	25,886	77,359	56,448	38,091	94,539
2486303 Ontario	8,499	(9,253)	(754)	9,204	(9,866)	(662)
CEP III Co-Invest	22,308	(1,313)	20,995	28,235	895	29,130
MIP III	893	(12)	881	1,131	(5)	1,126
CEP IV Co-Invest	314,634	(7,120)	307,514	225,147	1,970	227,117
MIP IV	4,768	(53)	4,715	3,413	(48)	3,365
CEP V Co-Invest	75,709	(1,398)	74,311	27,701	(1,274)	26,427
MIP V	2,896	(70)	2,826	2,576	(65)	2,511
Total	\$ 508,505	\$ 6,667	\$ 515,172	\$ 380,404	\$ 29,698	\$ 410,102

2141788 Ontario, a limited partner of CEP III Co-Invest and CEP V Co-Invest, is a wholly owned acquisition entity of Clairvest. 2486303 Ontario is a wholly owned acquisition entity of Clairvest, which together with Clairvest holds a 100% interest in Clairvest Equity Partners Limited Partnership ("CEP"). CEP was an investment fund held by third-party investors until December 2015. 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 9(c), 9(f) and 9(i)*, respectively. During the year ended March 31, 2018, Clairvest made additional investments totalling \$1.0 million in 2486303 Ontario and \$36.1 million in CEP V Co-Invest.

During fiscal 2018, CEP III Co-Invest received cash proceeds of \$27.3 million as a result of the realization of Lyophilization Services of New England Inc. as described in *note 6(b)*. Subsequently, CEP III Co-Invest declared distributions totalling \$9.6 million to Clairvest, \$15.9 million to 2141788 Ontario and \$0.4 million to MIP III, respectively. CEP III Co-Invest also declared \$2.3 million to the general partner, all of which was received by the limited partners of MIP III as described in *note 9(c)*. Also during fiscal 2018, CEP IV Co-Invest received total cash proceeds of \$42.0 million as a result of the realization of CRS Contractors Rental Supply Limited Partnership as described in *note 6(e)* and the partial realization of Winters Bros. Waste Systems of CT, LLC as described in *note 6(h)*. Subsequently, CEP IV Co-Invest made capital distributions totalling \$45.6 million to Clairvest and \$0.7 million to MIP IV as described in *note 9(f)*.

Also during fiscal 2018, MIP III declared distributions totalling \$0.4 million to Clairvest as described in *note 9(c)* and MIP IV declared distributions totalling \$0.7 million to Clairvest as described in *note 9(f)*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

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

	March 31, 2018	March 31, 2017
Assets		
Cash and cash equivalents	\$ 25,945	\$ 41,430
Temporary investments	10,942	7,464
Accounts receivable and other assets	1,657	1,890
Loans receivable	—	423
Income taxes recoverable	63	1,030
Derivative instruments	168	83
Deferred income tax asset	142	—
	\$ 38,917	\$ 52,320
Liabilities		
Accounts payable and accrued liabilities	\$ 2,293	\$ 2,135
Loans payable	12,656	10,283
Income taxes payable	967	753
Derivative instruments	8,241	2,371
Deferred income tax liability	8,093	7,080
	\$ 32,250	\$ 22,622
Net assets	\$ 6,667	\$ 29,698

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

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.

	March 31, 2018			March 31, 2017		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Investments made by CEP III Co-Invest alongside CEP III						
Chilean Gaming Holdings ⁽¹⁾	\$ 60,113	\$ 28,754	\$ 31,359	\$ 48,835	\$ 28,754	\$ 20,081
Lyophilization Services of New England Inc.	—	—	—	27,248	6,619	20,629
Investments made by CEP IV Co-Invest alongside CEP IV						
Centaur Gaming	192,394	34,657	157,737	111,170	34,657	76,513
County Waste of Virginia, LLC	19,776	11,314	8,462	17,999	7,533	10,466
CRS Contractors Rental Supply Limited Partnership	—	—	—	28,758	10,573	18,185
Davenport Land Investments ⁽²⁾	3,018	2,196	822	3,009	2,196	813
Discovery Air Inc. / Top Aces	44,926	55,522	(10,596)	21,037	36,860	(15,823)
Impero Waste Services, LLC (formerly Winters Bros. Waste System of CT, LLC)	4,100	3,019	1,081	11,160	8,053	3,107
MAG Aerospace	21,164	5,068	16,096	11,557	5,068	6,489
New Meadowlands Racetrack, LLC	10,237	6,444	3,793	9,563	6,444	3,119
Rivers Casino	23,787	9,058	14,729	14,307	9,058	5,249
Investments made by CEP V Co-Invest alongside CEP V						
Accel Entertainment Inc.	27,258	15,978	11,280	20,639	15,978	4,661
Ace2Three	40,228	55,968	(15,740)	—	—	—
Also Energy, Inc.	6,189	6,038	151	—	—	—
Digital Media Solutions, LLC	9,126	8,254	872	8,179	8,254	(75)
GTA Gaming	602	602	—	—	—	—
Winters Bros. Waste Systems of Long Island Holdings, LLC	9,764	10,636	(872)	11,190	10,636	554
Grey Eagle Casino ⁽³⁾	11,331	11,017	314	12,613	11,017	1,596
Wellington Financial ⁽⁴⁾	3,626	—	3,626	22,101	15,640	6,461
	487,639	264,525	223,114	379,365	217,340	162,025
Other investments ⁽⁵⁾	20,866	788	20,078	1,039	1,127	(88)
	\$ 508,505	\$ 265,313	\$ 243,192	\$ 380,404	\$ 218,467	\$ 161,937

(1) Comprised CEP III Co-Invest's investment in Casino Marina del Sol, Casino Osorno and Casino Sol Calama.

(2) Comprised two entities which hold real estate surrounding a casino in Davenport, Iowa ("Davenport North" and "Davenport South").

(3) Fair value included the portion owned directly by Clairvest and the portion owned indirectly through 2486303 Ontario. Fair value as at March 31, 2018 excluded the amount of \$1.8 million (2017 – \$1.0 million) which represented the carried interest of CEP to be received by 2486303 Ontario as described in *note 9(a)*.

(4) Comprised interest in various Wellington Financial limited partnership funds and their respective general partners.

(5) Includes Clairvest's investment in common shares of Canadian Imperial Bank of Commerce ("CIBC") as discussed in *note 6(s)*.

The fair value of each investee company reflected valuation methodologies as described in *note 17*, except for *notes 6(f) and 6(s)* as described below. 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 (*note 14*). For those investments which are hedged by acquisition entities, the fair value of these foreign exchange forward contracts was included in the net assets (liabilities) of these acquisition entities. Details of each investee company are described below.

(a) Chilean Gaming Holdings

Chilean Gaming Holdings is a limited partnership, which has a 50% ownership interest in Casino Marina del Sol in Concepcion, Chile, and a 73.8% ownership interest in each of Casino Osorno in Osorno, Chile, and Casino Sol Calama in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

Calama, Chile. As at March 31, 2018 and 2017, CEP III Co-Invest held 30,446,299 limited partnership units of Chilean Gaming Holdings, representing a 36.8% equity interest.

During fiscal 2018, CEP III Co-Invest earned dividends totalling \$0.8 million (2017 – \$3.7 million) through its investment in Chilean Gaming Holdings, bringing dividends earned to March 31, 2018 to \$14.0 million (2017 – \$13.2 million).

(b) Lyophilization Services of New England Inc.

Lyophilization Services of New England Inc. ("LSNE") is a Manchester, New Hampshire-based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. As at March 31, 2017, CEP III Co-Invest held 6,406,000 Series A 10% cumulative preferred shares of LSNE which were convertible into a 11.2% ownership interest on a fully diluted basis and 331,506 Series B 10% cumulative preferred shares which were not convertible. Each Series A preferred share was convertible into one common share at CEP III Co-Invest's discretion and dividends would be forfeited on conversion.

During fiscal 2018, CEP III Co-Invest realized its investment in LSNE for total proceeds of US\$20.5 million (C\$27.3 million) against a carrying value of \$27.2 million as at March 31, 2017, for a net realized gain of \$0.1 million.

Over the life of this investment, CEP III Co-Invest received total proceeds of US\$21.9 million (C\$29.4 million) against its original investment of US\$7.5 million (C\$7.5 million) in LSNE. Clairvest and CEP III Co-Invest had also incurred total costs of \$2.8 million on the foreign exchange hedging strategy for the investment in LSNE.

(c) Centaur Gaming

Centaur Gaming is the owner and operator of Hoosier Park Racing & Casino in Anderson, Indiana, and Indiana Grand Casino and Indiana Downs Racetrack in Shelbyville, Indiana. As at March 31, 2018 and 2017, CEP IV Co-Invest held US\$17.4 million in term loans with stapled warrants which, subject to regulatory approval, were convertible upon exercise to 12.7% of Class A and Class B units of Centaur Gaming.

During fiscal 2018, Clairvest announced the proposed sale of Centaur Gaming. The transaction is subject to regulatory approvals and is anticipated to close during fiscal 2019. Clairvest holds its investment in Centaur Gaming through CEP IV Co-Invest and its carrying value in Centaur Gaming as at March 31, 2018 reflects the economics of the proposed sale, but adjusted for the risk of closing.

(d) County Waste of Virginia, LLC

County Waste of Virginia, LLC ("County Waste") is a private regional solid waste collection company servicing customers in the states of Virginia and Pennsylvania. As at March 31, 2017, CEP IV Co-Invest held 6,942.64 Class B units of County Waste and 174.3 units of Spare Lots, LLC ("Spare Lots"), a company affiliated with County Waste, collectively representing a 12.5% ownership interest on a fully diluted basis.

During fiscal 2018, CEP IV Co-Invest invested an additional US\$1.3 million (C\$1.6 million) for 432.03 Class B units in County Waste and advanced US\$1.7 million (C\$2.1 million) in promissory notes accruing interest at 12% per annum with a maturity date of January 3, 2022. Interest of \$43 thousand was earned from these promissory notes to County Waste during fiscal 2018.

As at March 31, 2018, CEP IV Co-Invest held US\$1.7 million in 12% promissory notes in addition to 7,374.67 Class B units in County Waste and 174.3 units in Spare Lots, which collectively represented a 13.0% ownership interest on a fully diluted basis.

(e) CRS Contractors Rental Supply Limited Partnership

CRS Contractors Rental Supply Limited Partnership ("CRS") was a provider of equipment rental services and related merchandise across Ontario, Canada.

As at March 31, 2017, CEP IV Co-Invest held 241,896 Class B units and 10,572,805 Class C units of CRS, representing a 13.5% ownership interest.

During fiscal 2018, CEP IV Co-Invest earned distributions totalling \$0.2 million (2017 – \$0.6 million) from CRS. Subsequently, CEP IV Co-Invest realized on its investment in CRS and received \$31.7 million in cash proceeds against a carrying value of \$28.8 million as at March 31, 2017, for a net realized gain of \$2.9 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

Over the life of this investment, CEP IV Co-Invest received total proceeds of \$33.8 million against its original investment of \$10.6 million in CRS.

(f) Davenport Land Investments

Davenport Land Developments comprises two entities holding real estate surrounding a casino development in Davenport, Iowa ("Davenport North" and "Davenport South").

As at March 31, 2018 and 2017, CEP IV Co-Invest had invested US\$1.4 million (C\$1.6 million) for an 18.7% ownership in Davenport North and US\$0.8 million (C\$0.9 million) for a 13.4% ownership interest in Davenport South. Additionally, CEP IV Co-Invest had advanced a US\$0.6 million promissory note to a partner to help fund its 50% ownership in Davenport North, which effective October 1, 2017, bears interest at a rate of 12% per annum (2017 – 10% per annum).

(g) Discovery Air Inc. / Top Aces

Discovery Air Inc. ("Discovery Air") is a specialty aviation services company operating across Canada and in select locations internationally. Top Aces (formerly Discovery Air Defence Services Inc.), which was a wholly owned subsidiary of Discovery Air until December 2017, is a supplier of advanced adversary services across three continents.

As at March 31, 2017, CEP IV Co-Invest had invested \$22.0 million in secured convertible debentures ("Debentures") of Discovery Air which had a maturity date of May 5, 2018. The Debentures accrued interest at a rate of 10% per annum and interest is paid in-kind and compounded on an annual basis. As at March 31, 2017, the gross accrued value of the Debentures was \$33.6 million, which included \$11.6 million in accrued interest. During fiscal 2018, \$3.1 million (2017 – \$3.2 million) in interest was accrued on the Debentures. During fiscal 2018, CEP IV Co-Invest exercised the swap option pursuant to a letter agreement dated June 5, 2017 between Discovery Air, Top Aces and Clairvest and its affiliates and exchanged \$5.8 million of the Debentures into common shares of Top Aces. Subsequent to these transactions, a third-party institutional investor purchased \$50 million of equity in Top Aces, half from Top Aces treasury and the other half from Discovery Air. Subsequently, Discovery Air repaid \$7.6 million of interest owing to CEP IV Co-Invest under the terms of the Debentures. As at March 31, 2018, the gross accrued value of the Debentures was \$23.3 million. As at March 31, 2018, the carrying value of the Debentures was \$1.3 million (2017 – \$14.2 million).

As at March 31, 2017, Clairvest and CEP IV Co-Invest collectively held 22,384,024 Class A common shares of Discovery Air representing a 27.3% ownership interest on a fully diluted basis. During fiscal 2018, CEP IV Co-Invest purchased an additional 1,948,883 Class A common shares of Discovery Air for \$0.4 million as part of a take-private transaction. As at March 31, 2018, Clairvest and CEP IV Co-Invest collectively held 24,332,907 common shares of Discovery Air representing a 29.9% ownership interest on a fully diluted basis. As at March 31, 2018 and 2017, the carrying value of the Discovery Air common shares was nil.

As at March 31, 2017, Clairvest had advanced to Discovery Air \$2.3 million in the form of a promissory note bearing interest at 8.0% per annum which had been included in loans receivable at the accrued value. During fiscal 2018, Discovery Air repaid the promissory note in full. Interest of \$0.1 million (2017 – \$0.2 million) was earned on this promissory note during fiscal 2018.

In March 2018, Discovery Air commenced a restructuring under the *Companies Creditors Arrangement Act* ("CCAA") to conduct a Court-supervised sale process of its equity interest in its wholly owned subsidiaries and its residual interest in Top Aces (together, the "Assets"). CEP IV Co-Invest and other investors of the Debentures of Discovery Air (the "Discovery Air Investor Group"), have submitted bids to purchase the Assets as stalking horse purchasers (the "Transactions"). In support of CCAA proceedings, CEP IV Co-Invest has agreed to provide up to \$12.6 million in debtor-in-possession ("DIP") financing, \$4.9 million of which had been drawn as at March 31, 2018. Subsequent to year end, the DIP facility was increased to \$15.0 million and was fully drawn.

As at March 31, 2017, the Discovery Air Investor Group had in place a \$25.0 million secured revolving credit facility ("Revolver") to Top Aces, \$20.0 million of which was drawn as at March 31, 2017. The Revolver provides the Discovery Air Investor Group the option to convert the outstanding balance of the Revolver into common shares of Top Aces based on an agreed market value of Top Aces. During fiscal 2018, a second secured revolving credit facility ("2nd Revolver") for \$13.0 million was provided under the same terms and conditions and both Revolvers were fully drawn. In total,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

CEP IV Co-Invest funded \$14.5 million under the Revolvers, \$7.8 million of which was funded during fiscal 2018. Subsequently, the Discovery Air Investor Group exercised the pre-existing optional conversion feature pursuant to the terms of the Revolvers to convert all the outstanding amounts under both Revolvers into common shares of Top Aces. This occurred concurrent with the above-mentioned exercise of the swap option for common shares of Top Aces. Interest of \$0.9 million (2017 – \$0.2million) was earned from the Revolvers during fiscal 2018. As at March 31, 2018, CEP IV Co-Invest held 611.4 common shares in Top Aces, representing a 26.3% ownership interest on a fully diluted basis.

(h) **Impero Waste Systems, LLC / Winters Bros. Waste Systems of CT, LLC**

Winters Bros. Waste Systems of CT, LLC ("Winters Bros. of CT") is a regional solid waste collection, recycling and disposal company servicing customers in the states of Connecticut and New York. As at March 31, 2017, CEP IV Co-Invest held 76,284.8 Class C units of Winters Bros. of CT, representing 13.4% ownership interest on a fully diluted basis.

During fiscal 2018, CEP IV Co-Invest completed a partial realization of its investment in Winters Bros. of CT and received cash proceeds of US\$7.9 million (C\$10.1 million) for a net realized gain of \$3.3 million and 4,817.86 Class A units of Impero Waste Systems, LLC ("Impero Waste"), the acquirer of Winters Bros. of CT, representing a 6.1% ownership interest in Impero Waste on a fully diluted basis.

(i) **MAG Aerospace**

MAG Aerospace ("MAG") is a U.S.-based specialty aviation and intelligence, surveillance and reconnaissance service provider. As at March 31, 2018 and 2017, CEP IV Co-Invest held 33,736 Class A stock of MAG, representing a 10.3% ownership interest on a fully diluted basis. The Class A stock had a stated dividend rate of 10% per annum and each Class A stock was convertible into 1.0114 common stock of MAG at CEP IV Co-Invest's discretion and dividends would be forfeited on conversion.

As at March 31, 2018 and 2017, CEP IV Co-Invest also held \$1.1 million in promissory notes from MAG Aerospace Canada (formerly Discovery Air Fire Services) which bear interest at 10.0% per annum with a maturity date of January 31, 2021. Interest of \$0.1 million was earned from these promissory notes from MAG Aerospace Canada during fiscal 2018 (2018 – \$21 thousand). Subsequent to year-end and in conjunction with the sale of MAG as described in *note 20*, the promissory notes and accrued interest were repaid in full.

As at March 31, 2017, Clairvest had provided \$2.9 million in loans to Momentum Logistics, a Canadian subsidiary of MAG, in support of its operations. During fiscal 2018, Clairvest advanced an additional \$6.0 million (2017 – \$7.0 million) to Momentum Logistics. Also during fiscal 2018, Momentum Logistics repaid the loans in full (2017 – \$5.1 million was repaid). Interest of \$0.2 million (2017 – \$0.2 million) was earned from loans to Momentum Logistics during fiscal 2018.

(j) **New Meadowlands Racetrack, LLC**

New Meadowlands Racetrack, LLC (the "Meadowlands") operates a standardbred horse racing track located in East Rutherford, New Jersey.

As at March 31, 2018 and 2017, CEP IV Co-Invest had invested US\$5.4 million (C\$5.6 million) to the Meadowlands in the form of secured convertible debentures, which accrue interest at a rate of 15% per annum, 10% of which was payable quarterly in cash and 5% was payable-in kind. Commencing January 1, 2016, CEP IV Co-Invest agreed that the entire 15% interest be payable in-kind. CEP IV Co-Invest also holds warrants which entitle it to invest in equity securities of the Meadowlands subject to certain conditions. 5% of the 15% interest on the secured convertible debentures would be forfeited in the event Clairvest exercises the warrants.

As at March 31, 2017, the gross accrued value of the secured debentures was US\$7.6 million (C\$10.1 million), which included US\$2.2 million in accrued interest. During fiscal 2018, US\$1.1 million (C\$1.4 million) (2017 – US\$1.0 million; C\$1.3 million) in interest was accrued on the Debentures. As at March 31, 2018, the gross accrued value of the secured debentures was US\$8.7 million (C\$11.2 million) and the carrying value of the secured debentures was US\$7.3 million (C\$9.4 million) (2017 – US\$6.5 million; C\$8.7 million), which reflected US\$1.4 million (C\$1.8 million) (2017 – US\$1.1 million; C\$1.4 million) in accrued interest being provided for on the secured debentures.

CEP IV Co-Invest also invested US\$0.7 million (C\$0.9 million) in the Meadowlands in the form of preferred debt, which is junior to the secured debentures. The preferred debt has a stated interest rate of 3% per annum and interest is

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

payable in-kind. During fiscal 2018, CEP IV Co-Invest earned \$26 thousand (2017 – \$16 thousand) in interest on the preferred debt, which was fully provided for and presented on a net basis.

(k) Rivers Casino

Rivers Casino is a gaming entertainment complex located in Des Plaines, Illinois.

As at March 31, 2018 and 2017, CEP IV Co-Invest held 9,021,917 units of Rivers Casino, representing a 5.0% ownership interest on a fully diluted basis.

During fiscal 2018, CEP IV Co-Invest earned quarterly distributions totalling \$1.3 million (2017 – \$3.9 million) and quarterly fees totalling \$0.6 million (2017 – \$0.6 million) from Rivers Casino.

As a result of CEP IV Co-Invest's investment in Rivers Casino requiring certain acquisition entities in the United States, \$0.8 million (2017 – \$1.2 million) in U.S. income tax obligations were incurred during fiscal 2018.

(l) Accel Entertainment Inc.

Accel Entertainment Inc. ("Accel Entertainment") is a licensed video gaming terminal operator in Illinois.

As at March 31, 2018, CEP V Co-Invest held 283,478 Class D preferred shares of Accel Entertainment (2017 – 283,478), representing a 7.5% ownership interest on a fully diluted basis (2017 – 7.9%). The Class D preferred shares are entitled to certain preference over all other equity of Accel Entertainment.

(m) Ace2Three

Ace2Three operates an online, skilled-based gaming platform in India providing an online rummy experience.

During fiscal 2018, CEP V Co-Invest invested \$56.0 million in Ace2Three. The investment comprised \$22.9 million in the form of compulsory convertible debentures which are denominated in Indian Rupees ("INR") and bear interest at a rate of 16.0% per annum, and \$33.1 million in 202,230 common shares representing a 33.6% ownership interest on a fully diluted basis. In June 2017, Ace2Three experienced a material adverse development which resulted in a temporary shut-down of operation and a material loss in revenue. Ace2Three has since resumed its operations in certain jurisdictions and the validity of the regulatory developments is being challenged and the matter is before the courts. While Ace2Three remains profitable, Clairvest has determined that there has been a negative impact on the fair value of this investment. Accordingly, the carrying value of the equity investment made in Ace2Three was reduced by 50% or \$15.8 million. As at March 31, 2018, the compulsory convertible debentures were carried at the accrued value of \$24.6 million.

(n) Also Energy, Inc.

Also Energy, Inc. ("Also Energy") is a provider of software and hardware solutions that enable the monitoring and control of power production and plant operations for commercial, industrial, and utility-scale plants in the United States and around the world.

During fiscal 2018, CEP V Co-Invest invested US\$4.8 million (C\$6.0 million) to acquire 1,013,062 Series A preferred stock of Also Energy. The Series A preferred stock which accrue dividends at a rate of 8% compounded annually, are convertible into common stock at CEP IV Co-Invest's discretion. As at March 31, 2018, CEP V Co-Invest's ownership interest in Also Energy was 14.3% on a fully diluted basis.

(o) Digital Media Solutions, LLC

Digital Media Solutions, LLC ("Digital Media Solutions") operates as a lead generation engine for companies in a variety of different industries.

As at March 31, 2018 and 2017, CEP V Co-Invest held 6,150,000 Class B units of Digital Media Solutions, representing a 13.9% ownership interest on a fully diluted basis. The Class B units are entitled to certain preference over all other equity units in Digital Media Solutions.

During fiscal 2018, CEP V Co-Invest earned distributions totalling \$0.6 million (2017 – \$0.8 million) from Digital Media Solutions, bringing distributions earned to March 31, 2018 to \$1.4 million (2017 – \$0.8 million).

(p) GTA Gaming

GTA Gaming comprised investments in two limited partnerships which operates various gaming assets in the Province of Ontario: Ontario Gaming GTA Limited Partnership ("OGTALP") and Ontario Gaming West GTA Limited Partnership ("OWGTALP").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

In December 2017, the Ontario Lottery and Gaming Corporation announced that OWGTALP was selected as the successful proponent to operate four gaming facilities in the West Greater Toronto Area (the "West GTA Bundle"). As support for this bid, Clairvest had pledged \$15.8 million to a Schedule 1 Canadian chartered bank which remained restricted as at March 31, 2018. During fiscal 2018, CEP V Co-Invest invested \$0.4 million for 405,151.2 units of OWGTALP representing a 13.5% ownership interest. Subsequent to year-end and in conjunction with the final closing of the purchase of West GTA gaming assets, an additional \$8.4 million was funded by CEP V Co-Invest for an additional 8,370,000 units of OWGTALP and the restriction on the \$15.8 million was released as the pledge was no longer required upon completion of final closing.

Also during fiscal 2018, the Ontario Lottery and Gaming Corporation announced that OGTALP was selected as the successful proponent to operate three gaming facilities in the Greater Toronto Area. During fiscal 2018, CEP V Co-Invest invested \$0.2 million for 1,254,000 units of OGTALP representing a 0.6% ownership interest.

(q) **Winters Bros. Waste Systems of Long Island Holdings, LLC**

Winters Bros. Waste Systems of Long Island Holdings, LLC ("Winters Bros. of LI") is a regional solid waste collection, recycling and disposal company servicing customers in Long Island, New York. WBLI II, LLC ("WBLI II"), is a company affiliated with Winters Bros. of LI and owned proportionately by the same unitholders of Winters Bros. of LI.

As at March 31, 2018 and 2017, CEP V Co-Invest held 1,487,773 Class C units of Winters Bros. of LI and 256,037 units of WBLI II, representing a 14.0% ownership on a fully diluted basis in the respective entities.

(r) **Grey Eagle Casino**

Grey Eagle Casino is a charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the City of Calgary, Alberta. As at March 31, 2018 and 2017, Clairvest held units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest to between 2.8% and 9.6% of the earnings of the casino until December 18, 2022. Additionally, CEP is entitled to between 8.5% and 28.7% of the earnings of the Grey Eagle Casino until December 18, 2022. As described previously in *note 9(a)*, 2486303 Ontario and Clairvest collectively holds a 100% interest in CEP.

During fiscal 2018, Clairvest earned \$0.5 million (2017 – \$0.7 million) and CEP earned \$1.6 million (2017 – \$2.2 million) in equity distributions from Grey Eagle Casino.

(s) **Wellington Financial**

Wellington Financial, through various Wellington Funds, provided debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada and the United States. Clairvest had made commitments to various Wellington Funds as described in *notes 15(d) and 15(e)*, as well as entitlements to participate in the profits received by the general partners of these Wellington Funds.

As at March 31, 2017, Clairvest had funded \$15.6 million to Wellington Fund V. During fiscal 2018, Clairvest funded an additional \$1.7 million (2017 – \$1.0 million) to Wellington Fund V, bringing total amount funded to \$17.3 million. Subsequently, CIBC acquired the loan portfolio of Wellington Fund V and certain assets of the general partner of Wellington Fund V. Clairvest received a full return of capital on its investment of \$17.3 million and 194,876 CIBC common shares which are restricted for sale subject to certain conditions until January 7, 2021. As at March 31, 2018, the CIBC common shares were valued at a discount to the closing price of \$113.72 per share to reflect the sale restriction and had been included as other investments. Clairvest continues to participate in its pro rata share of any profits realized from warrants previously granted to the various Wellington Funds and is eligible for additional payments on the sale of the general partner assets subject to certain conditions.

During fiscal 2018, Clairvest received distributions totalling \$24.5 million (2017 – \$4.6 million) from Wellington Financial, which includes the fair market value of the CIBC common shares received on the sale. As at March 31, 2018, Clairvest had received distributions totalling \$55.7 million (2017 – \$31.2 million) from Wellington Financial.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

7. FIXED ASSETS

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

	Aircraft	IT equipment ⁽¹⁾	Furniture, fixtures and equipment	Leasehold improvements	Total
At cost					
Balance as at April 1, 2017	\$ 3,603	\$ 72	\$ 248	\$ 816	\$ 4,739
Additions	—	—	32	773	805
Disposals	—	(56)	—	(881)	(937)
Balance as at March 31, 2018	\$ 3,603	\$ 16	\$ 280	\$ 708	\$ 4,607
Accumulated amortization					
Balance as at April 1, 2017	\$ 2,359	\$ 62	\$ 186	\$ 32	\$ 2,639
Amortization expense	356	5	17	150	528
Disposals	—	(56)	—	—	(56)
Balance as at March 31, 2018	\$ 2,715	\$ 11	\$ 203	\$ 182	\$ 3,111
Carrying amount as at March 31, 2018	\$ 888	\$ 5	\$ 77	\$ 526	\$ 1,496
At cost					
Balance as at April 1, 2016	\$ 3,603	\$ 90	\$ 248	\$ 130	\$ 4,071
Additions	—	—	—	686	686
Disposals	—	(18)	—	—	(18)
Balance as at March 31, 2017	\$ 3,603	\$ 72	\$ 248	\$ 816	\$ 4,739
Accumulated amortization					
Balance as at April 1, 2016	\$ 2,004	\$ 56	\$ 165	\$ 4	\$ 2,229
Amortization expense	355	24	21	28	428
Disposals	—	(18)	—	—	(18)
Balance as at March 31, 2017	\$ 2,359	\$ 62	\$ 186	\$ 32	\$ 2,639
Carrying amount as at March 31, 2017	\$ 1,244	\$ 10	\$ 62	\$ 784	\$ 2,100

(1) Comprised computer equipment and computer software.

8. CREDIT FACILITIES

As at March 31, 2018 and 2017, Clairvest maintained a \$100.0 million revolving credit facility which is participated in by several Schedule 1 Canadian chartered banks. The credit facility, which had an initial expiry of December 2021 and is eligible for a one-year extension on each anniversary date, bears interest at the prime rate plus 1.25% per annum on drawn amounts and a standby fee of 0.70% per annum on undrawn amounts. During fiscal 2018, the credit facility was extended to December 2022 under the same terms and conditions. The prime rate as at March 31, 2018 was 3.45% (2017 – 2.70%) per annum. The amount available under the credit facility as at March 31, 2018 and 2017 was \$100.0 million. No amounts had been drawn on the facility during the fiscal 2018 and as at March 31, 2018.

9. RELATED PARTY DISCLOSURES

Investments in acquisition entities and investment-related transactions with acquisition entities are further described in *note 6*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

- (a) The general partner of CEP ("CEP GP"), an entity which is controlled by Clairvest, is entitled to participate in distributions equal to 20% of all net gains (a "20% carried interest") of CEP as governed by its Limited Partnership Agreement. 10% of the carried interest was allocated to Clairvest and the other 10% was allocated to principals and employees of Clairvest until December 21, 2015, when 2486303 Ontario purchased the 10% carried interest from principals and employees of Clairvest for \$1.2 million. On January 1, 2018, 2486303 Ontario purchased substantially all of the remaining 10% carried interest from Clairvest for \$0.9 million. During fiscal 2018, CEP GP earned \$0.3 million (2017 – \$0.5 million) in carried interest from CEP, \$0.1 million (2017 – \$0.3 million) was ultimately received by Clairvest, and the other \$0.2 million (2017 – \$0.2 million) was ultimately received by 2486303 Ontario. As at March 31, 2018, CEP had declared carried interest to CEP GP totalling \$24.5 million (2017 – \$24.2 million), \$12.2 million (2017 – \$12.1 million) of which was ultimately received by Clairvest, \$11.8 million (2017 – \$11.8 million) of which was ultimately received by the principals and employees of Clairvest and \$0.5 million (2017 – \$0.3 million) was ultimately received by 2486303 Ontario.
- (b) As general partner of CEP III, Clairvest is entitled to a priority distribution from CEP III. Effective January 13, 2011, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. As per the Limited Partnership Agreement, the priority distribution is reduced to the extent of 75% of fees earned by Clairvest from corporate investments of CEP III. During fiscal 2018, CEP III declared to Clairvest priority distributions of \$0.6 million (2017 – \$0.9 million). There were no fees from corporate investments of CEP III netted against the priority distributions (2017 – \$0.1 million).

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 MIP III. From time to time, additional units in MIP III may be purchased by the limited partners of MIP III. During fiscal 2018, CEP III GPs earned \$16.6 million (2017 – \$0.8 million) in carried interest from CEP III, 50% of which, or \$8.3 million (2017 – \$0.4 million), was ultimately received by Clairvest, and the other 50% or \$8.3 million (2017 – \$2.7 million) was ultimately received by the limited partners of MIP III, which reduced the management participation liability. During fiscal 2018, \$3.4 million (2017 – \$0.2 million) of the carried interest declared by CEP III was ultimately received by key management. As at March 31, 2018, CEP III had declared carried interest to the CEP III GPs totalling \$56.1 million (2017 – \$39.5 million), 50% of which was ultimately received by Clairvest and the other 50% was ultimately received by the limited partners of MIP III.

- (c) As described in *note 15(a)*, Clairvest is required to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest was established in fiscal 2007 as the investment vehicle for this purpose. CEP III Co-Invest has three limited partners, Clairvest, 2141788 Ontario and MIP III. MIP III has invested \$1.1 million in CEP III Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP III Co-Invest via the general partner of CEP III Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$0.2 million in carried interest received by MIP III, and the remaining carried interest is the entitlement of the limited partners of MIP III.

During fiscal 2018, CEP III Co-Invest declared \$2.3 million (2017 – \$0.3 million) to MIP III with respect to this carried interest entitlement, all of which were the entitlements of the limited partners of MIP III. During fiscal 2018, \$1.0 million (2017 – \$0.1 million) of the carried interest declared by CEP III Co-Invest was ultimately received by key management. As at March 31, 2018, CEP III Co-Invest had declared carried interest totalling \$7.4 million (2017 – \$5.1 million), \$0.2 million (2017 – \$0.2 million) of which was received by Clairvest and \$7.2 million (2017 – \$4.9 million) was received by the limited partners of MIP III.

Clairvest, as the general partner of MIP III, is entitled to participate in distributions equal to the realizable value on the \$1.1 million invested by MIP III in CEP III Co-Invest. During fiscal 2018, MIP III distributed \$0.4 million (2017 – \$46 thousand) to Clairvest. As at March 31, 2018, \$2.3 million (2017 – \$1.9 million) has been received by Clairvest through this entitlement.

- (d) As general partner of CEP IV, Clairvest is entitled to a priority distribution from CEP IV. Effective January 14, 2016, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

priority distribution is reduced to the extent of 63.2% of any fees earned by Clairvest from corporate investments of CEP IV. During fiscal 2018, CEP IV declared to Clairvest priority distributions of \$2.4 million (2017 – \$3.0 million). As per the Limited Partnership Agreement, fees of \$0.5 million (2017 – \$0.5 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 MIP IV. From time to time, additional units in MIP IV may be purchased by the limited partners of MIP IV. No carried interest had been declared by CEP IV to CEP IV GPs as at March 31, 2018 and 2017.

- (e) As manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. Effective January 14, 2016, the management fee is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by Clairvest from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement. During fiscal 2018, Clairvest earned management fees of \$0.4 million (2017 – \$0.4 million) as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, fees of \$0.1 million (2017 – \$0.1 million) from corporate investments of CEP IV-A were 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 had been declared by CEP IV-A to CEP IV-A GP as at March 31, 2018 and 2017.

- (f) As described in *note 15(b)*, Clairvest is required to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle for this purpose. CEP IV Co-Invest has two limited partners, Clairvest and MIP IV. MIP IV has invested \$1.6 million in CEP IV Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP IV Co-Invest via the general partner of CEP IV Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$0.4 million in carried interest received by MIP IV, and the remaining carried interest is the entitlement of the limited partners of MIP IV. No carried interest had been declared by CEP IV Co-Invest as at March 31, 2018 and 2017.

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. During fiscal 2018, CEP IV Co-Invest distributed \$0.7 million (2017 – \$0.6 million) to Clairvest. As at March 31, 2018, \$1.3 million (2017 – \$0.6 million) had been received by Clairvest through this entitlement.

- (g) As general partner of CEP V, Clairvest is entitled to a priority distribution from CEP V. The priority distribution is calculated monthly as follows: from January 14, 2016 to January 13, 2021, 0.1667% of committed capital, and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 58.8% of any fees earned by Clairvest from corporate investments of CEP V. During fiscal 2018, CEP V declared to Clairvest priority distributions of \$5.7 million (2017 – \$6.9 million). As per the Limited Partnership Agreement, fees of \$0.1 million (2017 – \$0.1 million) from corporate investments of CEP V were netted against the priority distributions.

In April 2017, CEP V India was formed to facilitate investment in Ace2Three by certain limited partners of CEP V as governed by the CEP V limited partnership agreement. As general partner of CEP V India, Clairvest is entitled to a priority distribution from CEP V India. The priority distribution is calculated monthly as follows: from May 1, 2017 to January 13, 2021, 0.1667% of committed capital, and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. During fiscal 2018, CEP V India declared to Clairvest priority distributions of \$0.6 million (2017 – nil).

The general partners of CEP V and CEP V India ("CEP V GPs") are entitled to a 20% carried interest in respect of CEP V and CEP V India 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

principals and employees of Clairvest. The limited partners of MIP V have purchased, at fair market value, units of MIP V. From time to time, additional units in MIP V may be purchased by the limited partners of MIP V. No carried interest had been declared by CEP V and CEP V India to CEP V GPs as at March 31, 2018 and 2017.

- (h) As manager of CEP V-A, Clairvest is entitled to a management fee from CEP V-A. The management fee is calculated monthly as follows: from January 14, 2016 to January 13, 2021, 0.1667% of committed capital, and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 11.2% of fees earned by Clairvest from corporate investments of CEP V-A and other amounts as provided in the Limited Partnership Agreement. During fiscal 2018, Clairvest earned management fees of \$0.9 million (2017 – \$0.9 million) as compensation for its services in the administration of the portfolio of CEP V-A. As per the Limited Partnership Agreement, fees of \$0.3 million (2017 – \$0.3 million) from corporate investments of CEP V-A were netted against the management fees.

The general partner of CEP V-A ("CEP V-A GP"), an entity which is controlled by Clairvest, is entitled to a 20% carried interest in respect of CEP V-A as governed by its Limited Partnership Agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP V. No carried interest had been declared by CEP V-A to CEP V-A GP as at March 31, 2018 and 2017.

- (i) As described in *note 15(c)*, Clairvest is required to co-invest alongside CEP V, CEP V India and CEP V-A in all investments undertaken by CEP V, CEP V India and CEP V-A. CEP V Co-Invest 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 invested \$2.4 million in CEP V Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP V Co-Invest via the general partner of CEP V Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$1.4 million in carried interest received by MIP V, and the remaining carried interest is the entitlement of the limited partners of MIP V. No carried interest had been declared by CEP V Co-Invest as at March 31, 2018 and 2017.

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 had been received by Clairvest as at March 31, 2018 and 2017.

- (j) The entitlement of carried interest from the CEP Funds as described in *notes 9(b), 9(d), 9(e), 9(g) and 9(h)* follows a distribution allocation which is governed by the Limited Partnership Agreement of the respective CEP Funds, and which requires the limited partners of the respective CEP Funds to first receive back the aggregate amount of their capital contribution and a specified preferred rate of return prior to a payment of carried interest to the general partner. As at March 31, 2018, if CEP and the CEP Funds were to sell all of their corporate investments at their current fair values and distribute all proceeds in accordance with the respective limited partnership agreements, the respective general partners would receive the following in carried interest from CEP and the CEP Funds. As described in *note 2(f)*, Clairvest has recorded these as carried interest receivable on the consolidated statements of financial position.

	March 31, 2018	March 31, 2017
CEP ⁽¹⁾	\$ 1,812	\$ 2,093
CEP III	11,044	25,249
CEP IV	97,796	59,527
CEP IV-A	17,248	11,453
CEP V	—	—
CEP V-A	—	—
	\$ 127,900	\$ 98,322

- (1) A corresponding \$1.8 million (2017 — \$1.0 million) in payable to 2486303 Ontario had been recorded to reflect the carried interest entitled to by 2486303 Ontario as at March 31, 2018. Also see *note 6(r)*.

- (k) If the CEP Funds were to sell all of their corporate investments, CEP III Co-Invest, CEP IV Co-Invest and CEP V Co-Invest (the "CEP Co-Invest Partnerships") would be required to sell all of their corporate investments at their current fair values and as such, MIP III, MIP IV and MIP V would receive carried interest based on the terms previously described. The following details the carried interest entitlements from the CEP Funds and the CEP Co-invest Partnerships that will be

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

ultimately received by non-Clairvest participants, which were recorded as a management participation liability on the consolidated statements of financial position.

	March 31, 2018	March 31, 2017
CEP III	\$ 5,522	\$ 12,625
CEP IV	48,898	29,763
CEP IV-A	8,624	5,727
CEP V	—	—
CEP V-A	—	—
	63,044	48,115
CEP III Co-Invest ⁽¹⁾	4,464	5,945
CEP IV Co-Invest ⁽¹⁾	23,759	12,990
CEP V Co-Invest ⁽¹⁾	—	—
	\$ 91,267	\$ 67,050

(1) Represents the entitlements of the limited partners of MIP III, MIP IV and MIP V, respectively, as described in notes 9(c), 9(f) and 9(i).

(l) Changes in loans receivable for the years ended March 31, 2018 and 2017 were as follows:

	April 1, 2017	Net loan advanced (repaid)	March 31, 2018
CEP III ⁽¹⁾	\$ 140	\$ (140)	\$ —
CEP V ⁽²⁾	—	794	794
CEP V-A ⁽²⁾	—	151	151
CEP III Co-Invest ⁽³⁾	25	(25)	—
CEP IV Co-Invest ⁽³⁾	—	2,700	2,700
CEP V Co-Invest ⁽³⁾	326	79	405
2486303 Ontario ⁽⁴⁾	9,932	(381)	9,551
	10,423	3,178	13,601
Clairvest investee companies ⁽⁵⁾	5,206	(5,206)	—
Other	25	(25)	—
	\$ 15,654	\$ (2,053)	\$ 13,601

	April 1, 2016	Net loan advanced (repaid)	March 31, 2017
CEP III ⁽¹⁾	\$ —	\$ 140	\$ 140
CEP IV ⁽²⁾	5,008	(5,008)	—
CEP III Co-Invest ⁽³⁾	—	25	25
CEP IV Co-Invest ⁽³⁾	10,780	(10,780)	—
CEP V Co-Invest ⁽³⁾	542	(216)	326
2486303 Ontario ⁽⁴⁾	10,901	(969)	9,932
	27,231	(16,808)	10,423
Clairvest investee companies ⁽⁵⁾	3,307	1,899	5,206
Other	25	—	25
	\$ 30,563	\$ (14,909)	\$ 15,654

(1) Loans advanced to CEP III bear interest at the prime rate in accordance with CEP III's Limited Partnership Agreement. Interest of \$1 thousand (2017 – \$1 thousand) was earned from loans advanced to CEP III during fiscal 2018.

(2) Loans advanced to CEP IV, CEP IV-A, CEP V, CEP V India and CEP V-A bear interest at the reference rate in accordance with the respective Limited Partnership Agreements. Interest of \$0.3 million (2017 – \$0.1 million) was earned from loans advanced to these partnerships during fiscal 2018.

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

(4) Loans advanced to 2486303 Ontario bear interest at 10.0% per annum. Interest of \$1.0 million ((2017 – \$1.0 million) was earned from these loans during fiscal 2018.

(5) Comprised loans advanced to Discovery Air and Momentum Solutions. See notes 6(g) and 6(i).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

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

	March 31, 2018	March 31, 2017
Clairvest's investee companies	\$ 1,436	\$ 1,612
CEP III	—	166
CEP IV	736	305
CEP IV-A	55	44
CEP V	17,074	11,388
CEP V India	118	—
CEP V-A	3,250	2,155
	22,669	15,670
Other accounts receivable and prepaid expenses	2,465	2,168
Share purchase loans and loans to officers of affiliated company	3,268	3,713
	\$ 28,402	\$ 21,551

Included in accounts receivable and other assets as at March 31, 2018 were share purchase loans made to certain officers of the Company totalling \$3.0 million (2017 – \$3.0 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 \$6.5 million (2017 – \$4.8 million) as at March 31, 2018. None of these loans were made to key management. During fiscal 2018, other loans made to certain officers of a company affiliated with Clairvest were repaid in full (2017 – \$0.4 million outstanding). Interest of \$68 thousand (2017 – \$67 thousand) was earned on these loans during the year.

Additionally, acquisition entities of the Company which were not consolidated by the Company as described in *note 6* held receivables from CEP IV totalling \$0.1 million (2017 – \$12 thousand), from CEP V totalling \$17 thousand (2017 – \$27 thousand), from CEP V-A totalling \$3 thousand (2017 – nil) and from Clairvest's investee companies totalling \$1.5 million (2017 – \$1.8 million).

- (n) During fiscal 2018, Clairvest earned \$25.4 million (2017 – \$5.9 million) in distributions and interest income, \$0.3 million (2017 – nil) in dividend income and \$1.2 million (2017 – \$1.3 million) in advisory and other fees from its investee companies. Additionally, acquisition entities of the Company which were not consolidated by the Company as described in *note 6* earned \$22.7 million (2017 – \$23.8 million) in distributions and interest income, \$0.8 million (2017 – \$3.7 million) in dividend income and \$0.6 million (2017 – \$0.6 million) in advisory and other fees from its investee companies.
- (o) Clairvest, through PGO Aviation LP, has a 50% ownership in an aircraft where the other 50% ownership is held by a related party of Clairvest. Clairvest received 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

10. INCOME TAXES

Income tax expense for the years ended March 31, 2018 and 2017 comprised the following:

	2018	2017
Current income tax expense	\$ 9,642	\$ 2,943
Deferred income tax expense	3,274	6,531
	\$ 12,916	\$ 9,474

A reconciliation of the income tax expense for the years ended March 31, 2018 and 2017 based on the Federal and Ontario statutory rate and the effective rate was as follows:

	2018		2017	
	\$	%	\$	%
Income before income taxes	136,694		79,600	
Statutory Federal and Ontario income tax rate		26.50		26.50
Statutory Federal and Ontario income taxes	36,224	26.50	21,094	26.50
Non-taxable portion of net investment gains and distributions	(20,251)	(14.82)	(12,120)	(15.23)
Non-taxable portion of carried interest net of management participation	(1,932)	(1.41)	(1,596)	(2.01)
Non-deductible portion of other expenses	1,115	0.82	891	1.12
Foreign income tax rate differences	(14)	(0.01)	451	0.57
Tax recoveries regarding prior year	(1,142)	(0.84)	(612)	(0.77)
Other	(1,084)	(0.79)	1,366	1.72
	12,916	9.45	9,474	11.90

In addition to the income tax expense recorded by Clairvest, acquisition entities of Clairvest recorded \$4.6 million (2017 – \$5.4 million) in income tax expense during fiscal 2018, which had been included in the fair value determination of these acquisition entities.

Deferred income tax liabilities relate to temporary differences on corporate and temporary investments, derivative instruments, accounts payable and accrued liabilities, income, and unrealized carried interest income. The composition was as follows:

	March 31, 2018	March 31, 2017
Temporary differences on corporate and temporary investments	\$ 24,023	\$ 18,065
Temporary differences on derivative instruments	—	3
Temporary differences on accrued compensation and share-based compensation	(8,360)	(5,204)
Temporary differences on income	2,136	1,412
Temporary differences on unrealized carried interest net of management participation	4,995	4,144
Other	1,150	2,250
	\$ 23,944	\$ 20,670

All deferred income tax expenses (recoveries) were recognized in net income during fiscal 2018 and 2017.

11. SHARE CAPITAL

Authorized

Unlimited number of preference shares issuable in series, with the designation, rights, privileges, restrictions, and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series.

Unlimited number of common shares

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

10,000,000 non-voting shares (series 1)

1,000,000 non-voting shares (series 2)

Issued and outstanding	March 31, 2018		March 31, 2017	
	Shares	Amount	Shares	Amount
Common shares, beginning of year	15,194,095	\$ 81,554	15,214,095	\$ 81,662
Purchased and cancelled under normal course issuer bid	(31,100)	(166)	(20,000)	(108)
Common shares, end of year	15,162,995	\$ 81,388	15,194,095	\$ 81,554

During fiscal 2018, the Company filed a normal course issuer bid enabling it to make market purchases of up to 760,677 (2017 – 760,627) of its common shares in the 12-month period ending March 6, 2019. During fiscal 2018, the Company made no purchases under the current normal course issuer bid and purchased and cancelled 31,100 common shares under a previous normal course issuer bid for an aggregate cost of \$1.2 million.

Common shares of 15,162,995 (2017 – 15,194,095) were outstanding as at March 31, 2018. The weighted average number of common shares outstanding during fiscal 2018 was 15,182,212 (2017 – 15,202,669).

The basic and fully diluted net income per share computations for 2018 and 2017 were as follows:

	2018			2017		
	Net income and comprehensive income (000s)	Weighted average number of shares	Per share amount	Net income and comprehensive income (000s)	Weighted average number of shares	Per share amount
Basic and fully diluted	\$ 123,778	\$ 15,182,212	8.15	\$ 70,126	\$ 15,202,669	4.61

During fiscal 2017, the Board of Directors of the Company authorized the creation of Non-Voting Series 2 Shares ("Series 2 Shares") which have a two times preference over the common shares. The Series 2 Shares were authorized as part of the new stock option program as described in *note 12*. No Series 2 Shares had been issued as at March 31, 2018 and 2017.

12. SHARE-BASED COMPENSATION

The Company has a stock option plan (the "Legacy Option Plan") in place which had no options outstanding as at March 31, 2018 and 2017. As at March 31, 2018 and 2017, 558,856 options under the Legacy Option Plan are available for future grants and 558,856 common shares of the Company have been made available for issuance to eligible participants.

During fiscal 2017, the Company adopted a new stock option plan (the "Non-Voting Option Plan"). Options granted under the Non-Voting Option Plan are exercisable for Series 2 Shares as described in *note 11*. Option granted under this plan vest at a rate of one fifth of the grant at the end of each year over a five-year period. During fiscal 2018, Clairvest granted 168,829 options under the Non-Voting Option Plan (2017 – 203,353). Also during fiscal 2018, 1,916 options were exercised (2017 - nil) and 7,662 options were forfeited (2017 - nil). As at March 31, 2018, 362,604 (2017 – 203,353) options were outstanding, 38,752 (2017 – none) of which had vested.

Clairvest recognized stock-based compensation expense based upon the fair value of the outstanding stock options as at March 31, 2018 using the Black-Scholes option pricing model with the following assumptions:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

As at March 31, 2018

Grant	June 30, 2016	June 30, 2017
Number of options granted	193,775	168,829
Price (\$) ⁽¹⁾	56.48	71.90
Black-Scholes assumptions used		
Expected volatility	10%	10%
Expected forfeiture rate	5%	5%
Expected dividend yield	1.00%	1.00%
Risk-free interest rate	2.31%	2.37%
Expected life (years)	3.25	4.25
Value using Black-Scholes (000s)⁽²⁾	\$ 4,213	\$ 1,228

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

(2) Share price for a Clairvest common share as at March 31, 2018 was \$45.49 (TSX: CVG).

During fiscal 2018, Clairvest recognized a share-based compensation expense of \$4.5 million (2017 - \$0.9 million) with respect to the Non-Voting Option Plan.

During fiscal 2017, the Board of Directors of the Company approved an EDSU Plan. The EDSU Plan provides, among other things, that participants may elect annually to receive all or a portion of their annual bonus amounts that would otherwise be payable in cash in the form of EDSUs. EDSUs may be redeemed for cash or for common shares of the Company in accordance with the terms of the plan. Clairvest is required to reserve one common share for each EDSU issued under the EDSU Plan. The maximum number of Clairvest common shares reserved for the EDSU Plan is 200,000, which represented approximately 1.3% of the outstanding number of common shares as at March 31, 2018. During fiscal 2018, 32,111 (2017 – 18,445) EDSUs were issued based on the terms and conditions of the EDSU Plan. As at March 31, 2018, a total of 50,556 (2017 – 18,445) EDSUs were outstanding, the accrual in respect of which was \$2.3 million (2017 – \$0.6 million) had been included in share-based compensation liability. During fiscal 2018, Clairvest recognized an expense of \$0.6 million (2017 – \$0.1 million) with respect to EDSUs.

As at March 31, 2018, a total of 684,920 (2017 – 1,091,081) BVARs were outstanding, the accrual in respect of which was \$8.7 million (2017 – \$10.0 million) and had been included in share-based compensation liability, and an additional \$6.3 million (2017 – \$5.9 million) not accrued as those BVARs had not vested. During fiscal 2018, 95,965 (2017 – 283,861) BVARs were granted and 502,126 (2017 – 312,128) BVARs were exercised. For the year ended March 31, 2018, Clairvest recognized an expense of \$7.8 million (2017 – \$7.8 million) with respect to BVARs.

Compensation paid and payable to key management

In addition to the directors, key management at Clairvest are the Chief Executive Officer ("CEO"), the Vice Chairman and the President. The CEO and President are entitled to annual discretionary cash bonuses of up to 175% of their individual annual salary based on individual performance. The Vice Chairman is entitled to annual discretionary cash bonuses of up to 100% of annual salary based on individual performance. There is also an annual objective cash bonus which is based on Clairvest's Incentive Bonus Program as described in *note 15(g)*, the stock option plans, the BVAR Plan and the EDSU Plan. Aggregate compensation paid for the years ended March 31 to the CEO, Vice Chairman, and the President was as follows:

	2018	2017
Paid		
Salaries	\$ 698	\$ 652
Annual incentive plans	1,158	1,377
Book value appreciation rights	3,687	—
	\$ 5,543	\$ 2,029

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

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

	March 31, 2018	March 31, 2017
Payable		
Annual incentive plans	\$ 4,849	\$ 2,500
Stock options	1,803	99
Book value appreciation rights	4,350	3,668
Employee deferred share units	755	—
	\$ 11,757	\$ 6,267

As at March 31, 2018, 247,807 (2017 – 235,516) DSUs were held by directors of the Company, the accrual in respect of which was \$11.6 million (2017 – \$8.2 million) and had been included in share-based compensation liability. During fiscal 2018, 12,291 (2017 – 16,210) DSUs were granted. For the year ended March 31, 2018, Clairvest recognized an expense of \$3.4 million (2017 – \$2.0 million) with respect to DSUs.

As at March 31, 2018, 105,000 (2017 – 105,000) ADSUs were held by directors of the Company, the accrual in respect of which is \$3.3 million (2017 – \$2.0 million) and had been included in share-based compensation liability. For the year ended March 31, 2018, Clairvest recognized an expense of \$1.3 million (2017 – \$0.7 million) with respect to ADSUs.

During fiscal 2018, no compensation was paid to directors under the BVAR, DSU or ADSU plans (2017 – \$2.8 million). In addition to the DSU and ADSU plans previously discussed, compensation payable to the directors of Clairvest included \$0.6 million (2017 – \$0.1 million) under the Non-Voting Option Plan.

13. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations was as follows:

	2018	2017
Accounts receivable and other assets	\$ (6,851)	\$ 5,895
Income taxes recoverable	1,635	2,859
Accounts payable and accrued liabilities	(206)	1,413
Income taxes payable	5,584	(14)
Accrued compensation expense	3,331	1,452
	\$ 3,493	\$ 11,605

Cash and cash equivalents as at March 31, 2018 and 2017 comprised the following:

	March 31, 2018	March 31, 2017
Cash	\$ 93,893	\$ 88,026
Cash equivalents	1,699	18,179
	\$ 95,592	\$ 106,205

14. 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 in accordance with its foreign exchange hedging policy as approved by the Board of Directors. During fiscal 2018, the Company received \$0.1 million (2017 – \$0.5 million) on the settlement of realized foreign exchange forward contracts.

As at March 31, 2018, the Company had no unexpired foreign exchange forward contracts (2017 – to sell US\$1.5 million at an average rate of Canadian \$1.3450 per U.S. dollar at a fair value of \$24 thousand).

As at March 31, 2018, acquisition entities of Clairvest had unexpired foreign exchange forward contracts as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

Foreign exchange forward contracts to sell US\$246.8 million (2017 – US\$165.2 million) at an average rate of C\$1.2622 per U.S. dollar (2017 – \$1.3145) through to March 2019. The fair value of the forward contracts as at March 31, 2018 was a loss of \$6.3 million (2017 – \$2.3 million).

Foreign exchange forward contracts to sell 15.5 billion Chilean Pesos ("CLP") (2017 – nil) at an average rate of C\$0.002098 per CLP (2017 – nil) through to April 2019. The fair value of these contracts as at March 31, 2018 is a loss of \$1.8 million (2017 – nil).

The fair value of the foreign exchange forward contracts entered into by these acquisition entities had been included in the fair value of Clairvest's investment in these acquisition entities on the consolidated statements of financial position. No collateral was funded to the counterparties for Clairvest's foreign exchange forward contracts and those of its acquisition entities as at March 31, 2018 and 2017.

15. CONTINGENCIES, COMMITMENTS AND GUARANTEES

- (a) CEP III Co-Invest has committed to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest's co-investment commitment is \$75.0 million, \$15.2 million (2017 – \$15.2 million) of which remained unfunded as at March 31, 2018. In accordance with the co-investment agreement, the proportion of the commitment amongst Clairvest, 2141788 Ontario and MIP III is at their own discretion. CEP III Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.
- (b) CEP IV Co-Invest has committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest's co-investment commitment is \$125.0 million, \$21.2 million (2017 – \$21.2 million) of which remained unfunded as at March 31, 2018. In accordance with the co-investment agreement, the proportion of the commitment between Clairvest and MIP IV is at their own discretion. CEP IV Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.
- (c) CEP V Co-Invest has committed to co-invest alongside CEP V and CEP V-A in all investments undertaken by CEP V and CEP V-A. CEP V Co-Invest's co-investment commitment is \$180.0 million, \$103.6 million (2017 – \$142.2 million) of which remained unfunded as at March 31, 2018. In accordance with the co-investment agreement, the proportion of the commitment between 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 ("WF Fund IV") (2017 – \$25.2 million), all of which was unfunded as at March 31, 2018. As specified in the Limited Partnership Agreement, WF Fund IV may no longer invest in new investments.
- (e) Clairvest has also committed \$30.3 million to WF Fund V. During fiscal 2018, Clairvest received a full return of capital from WF Fund V upon the sale of its loan portfolio as described in note 6(s). As at March 31, 2018, \$30.3 million (2017 – \$14.6 million) remained unfunded as at March 31, 2018. WF Fund V may no longer invest in new investments.
- (f) Clairvest, as general partner of WF Fund V, had guaranteed to return up to amounts received in the event the limited partners of WF Fund V do not meet their return threshold as specified in its Limited Partnership Agreement. During fiscal 2018, WF Fund V sold its loan portfolio and the limited partners received a full return of capital and a return above the threshold as specified in its Limited Partnership Agreement, and accordingly, the guarantee was extinguished. As at March 31, 2018 and 2017, no amounts had been funded or owing with respect to the clawback.
- (g) Under Clairvest's Bonus Program, a bonus of 10% of after-tax cash income and realizations on certain of Clairvest's corporate investments would be paid to management annually as applicable (the "Realized Amount"). As at March 31, 2018, the Realized Amount under the Bonus Program was \$0.7 million (2017 – \$0.2 million) and had been accrued under accrued compensation expense liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

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 recorded a \$7.8 million (2017 – \$5.0 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.

- (h) In conjunction with the sale of Casino New Brunswick, Clairvest had agreed to a net guarantee of \$2.0 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 March 31, 2018 and 2017, no amounts with respect to this guarantee have been funded.
- (i) As part of the holding structure of Chilean Gaming Holdings, acquisition entities of CEP III Co-Invest had loans totalling \$41.9 million as at March 31, 2018 (2017 – \$41.9 million) from an unrelated financial institution, while another acquisition entity of CEP III Co-Invest held term deposits totalling \$41.9 million as at March 31, 2018 (2017 – \$41.9 million) with the same financial institution as security for these loans. CEP III Co-Invest's ownership of both acquisition entities was 36.8% as at March 31, 2018 and 2017.
- (j) Clairvest had agreed to guarantee up to \$10.0 million to support Discovery Air's credit facility with its bank. During fiscal 2018, the guarantee was extinguished.
- (k) Clairvest had pledged \$15.8 million to a Schedule 1 Canadian chartered bank which has provided debt financing to OWGTALP. The pledge was made to support the debt financing and is held in a bank account belonging to Clairvest at the Schedule 1 Canadian chartered bank. Accordingly, it has been classified as restricted cash on the consolidated statements of financial position. Subsequent to year-end and in conjunction with the final closing of OWGTALP, the restriction on the cash was removed.
- (l) As at March 31, 2018, the Company had future minimum annual lease payments under non-cancellable operating leases for the use of office space of \$0.5 million due within one year (2017 – \$0.5 million), \$2.1 million due after one year, but not more than five years (2017 – \$1.9 million) and \$1.8 million due after five years (2017 – \$2.2 million).
- (m) In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

16. RISK MANAGEMENT

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

Fair value risk

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

The Company's corporate investment portfolio was diversified across 17 investee companies in 6 industries and 4 countries as at March 31, 2018. Concentration risk by industry and by country as at March 31, 2018 and 2017 was as follows:

	March 31, 2018					March 31, 2017			
	Canada	United States	Chile	India	Total	Canada	United States	Chile	Total
Contract manufacturing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 27,248	\$ —	\$ 27,248
Defence services	44,926	21,164	—	—	66,090	21,037	11,557	—	32,594
Equipment rental	—	—	—	—	—	28,758	—	—	28,758
Financial services	23,804	—	—	—	23,804	22,101	—	—	22,101
Gaming	11,933	253,676	60,113	40,228	365,950	12,613	155,679	48,835	217,127
Marketing services	—	9,126	—	—	9,126	—	8,179	—	8,179
Renewable energy	—	6,189	—	—	6,189	—	—	—	—
Waste management	—	33,640	—	—	33,640	—	40,349	—	40,349
Other investments	688	3,018	—	—	3,706	1,039	3,009	—	4,048
Total	\$ 81,351	\$ 326,813	\$ 60,113	40,228	\$ 508,505	\$ 85,548	\$ 246,021	\$ 48,835	\$ 380,404

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

Interest rate risk

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

If interest rates were higher or lower by 1% per annum, the potential effect would have been an increase or decrease of \$1.2 million (2017 – \$1.2 million) to distributions and interest income on a pre-tax basis for the year ended March 31, 2018.

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

Currency risk

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. The Company may also advance loans to investee companies which are denominated in foreign currency. In order to limit its exposure to changes in the value of foreign-denominated currencies relative to the Canadian dollar, Clairvest and its acquisition entities, subject to certain exceptions, entered into hedging positions against these foreign-denominated currencies. As at March 31, 2018, the Company had foreign exchange exposure to the CLP totalling \$17.5 million (2017 – \$48.8 million) and the INR totalling \$40.2 million (2017 – nil).

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

Credit risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the years ended March 31, 2018 and 2017, there were no material income effects on changes of credit risk on financial

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

assets. The carrying values of financial assets subject to credit exposure as at March 31, 2018 and 2017, net of any allowances for losses, were as follows:

	March 31, 2018			March 31, 2017		
	Clairvest	Acquisition entities	Total	Clairvest	Acquisition entities	Total
Financial assets						
Cash and cash equivalents	\$ 95,592	25,945	121,537	\$ 106,205	41,430	147,635
Temporary investments	36,582	10,942	47,524	15,964	7,464	23,428
Restricted cash	15,750	–	15,750	–	–	–
Accounts receivable ⁽¹⁾	26,223	1,657	27,880	19,662	1,890	21,552
Loans receivable ⁽²⁾	945	–	945	5,371	423	5,794
Derivative instruments	–	168	168	24	83	107
Corporate investments ⁽³⁾	508,505	60,036	568,541	380,404	56,157	436,561
	\$ 683,597	98,748	782,345	\$ 527,630	107,447	635,077

(1) Account receivable from investee companies or the CEP Funds. Excludes prepaid expenses and other assets.

(2) Loans receivable from investee companies or the CEP Funds.

(3) Comprised debt investments made in investee companies.

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 its investee companies regularly.

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

The Company manages counterparty credit risk on derivative instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks. As at March 31, 2018, the Company had not entered into any derivative instruments (2017 – fair value of \$24 thousand). Additionally, the Company's acquisition entities held derivative instruments which had mark-to-market losses totalling \$6.3 million (2017 – \$2.3 million). The Company believes the counterparty risk with respect to its acquisition entities' derivative instruments is nominal.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

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 & Poor's rating scale, were as follows:

	March 31, 2018	March 31, 2017
Cash and restricted cash	\$ 109,643	\$ 88,026
Money market savings accounts		
R1-High	759	17,209
Guaranteed investment certificates and investment savings accounts		
AA	14,988	16,126
A	5,026	—
A-	203	—
BBB ⁽¹⁾	—	202
BBB. ⁽¹⁾	—	101
Not rated ⁽¹⁾	—	505
Other fixed income securities		
Not rated ⁽²⁾	17,305	—
Total cash, cash equivalents, temporary investments and restricted cash	\$ 147,924	\$ 122,169

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

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-statement of financial position arrangements have been previously discussed. Accounts payable, loans payable, and derivative instruments have maturities of less than one year. Management participation liability, share-based compensation liability, and amounts accrued under the Bonus Program are only due upon cash realization or completion of the respective vesting periods. Total unfunded commitments to co-invest alongside the CEP Funds, as described were \$140.0 million (2017 – \$178.5 million) as at March 31, 2018. The timing of any amounts to be funded under these commitments is dependent upon the timing of investment acquisitions, which are made at the sole discretion of the Company.

The Company manages liquidity risk by maintaining a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests treasury funds in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains a \$100.0 million (2017 – \$100.0 million) credit facility which was undrawn at March 31, 2018.

As at March 31, 2018, Clairvest had treasury funds of \$147.9 million (2017 – \$122.2 million) and access to \$100.0 million (2017 – \$100.0 million) in credit to support its obligations and current and anticipated corporate investments. Clairvest also had access to \$36.9 million (2017 – \$48.9 million) in treasury funds held by its acquisition entities and \$355.9 million (2017 – \$443.4 million) in uncalled committed third-party capital through the CEP Funds at March 31, 2018 to invest along with Clairvest's capital.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

(a) Fair value hierarchy

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

Level	Fair value input description	Financial instruments
Level 1	Quoted prices (unadjusted) from active markets	Quoted equity instruments 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 presents the financial instruments measured at fair value classified by the fair value hierarchy:

March 31, 2018				
	Fair value measurements using			Assets/liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash equivalents				
Money market savings accounts	\$ 759	\$ —	\$ —	\$ 759
Investment savings accounts	940	—	—	940
	1,699	—	—	1,699
Temporary investments				
Guaranteed investment certificates	—	19,277	—	19,277
Other fixed income securities	—	17,305	—	17,305
	—	36,582	—	36,582
Corporate investments	—	20,178	494,994	515,172
	\$ 1,699	\$ 56,760	\$ 494,994	\$ 553,453

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

March 31, 2017				
	Fair value measurements using			Assets/liabilities at fair value
	Level 1	Level 2	Level 3	
Financial assets				
Cash equivalents				
Money market savings accounts	\$ 17,209	\$ —	\$ —	\$ 17,209
Investment savings accounts	970	—	—	970
	18,179	—	—	18,179
Temporary investments				
Guaranteed investment certificates	—	15,964	—	15,964
	—	15,964	—	15,964
Derivative instruments	—	24	—	24
Corporate investments	—	—	410,102	410,102
	\$ 18,179	\$ 15,988	\$ 410,102	\$ 444,269

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 year ended March 31, 2018 and 2017, 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 presents the changes in fair value measurements for instruments included in Level 3 of the fair value hierarchy set out in IFRS 13:

	Fair value April 1, 2017	Total realized / unrealized gains and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2018	Unrealized gains and foreign exchange revaluations included in earnings for assets and liabilities for the year ended March 31, 2018 for positions still held
Financial assets						
Corporate investments	\$ 410,102	\$ 109,386	\$ 38,709	\$ (63,203)	\$ 494,994	\$ 109,386
	\$ 410,102	\$ 109,386	\$ 38,709	\$ (63,203)	\$ 494,994	\$ 109,386

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

	Fair value April 1, 2016	Total realized / unrealized gains and foreign exchange revaluations included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value March 31, 2017	Unrealized gains and foreign exchange revaluations included in earnings for assets and liabilities for the year ended March 31, 2017 for positions still held
Financial assets						
Corporate investments	\$ 353,801	\$ 72,946	\$ 21,110	\$ (37,755)	\$ 410,102	\$ 72,946
	\$ 353,801	\$ 72,946	\$ 21,110	\$ (37,755)	\$ 410,102	\$ 72,946

(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. On a given measurement date, it is possible that other market participants could measure a same financial instrument at a different fair value, with the valuation techniques and inputs used by these market participants still meeting the definition of fair value. The fact that different fair value measurements exist reflects the judgment, estimates and assumptions applied as well as the uncertainty involved in determining the fair value of these financial instruments.

Included in corporate investments are investee companies (refer to *note 6*) for which the fair values have been estimated based on assumptions that are not supported by observable inputs. The following tables present quantitative information on the primary valuation techniques and unobservable inputs based on the form of investment:

March 31, 2018	Valuation techniques	Significant unobservable input	Range
Unquoted equity instruments (including warrants) or partnership units	Public company comparables	EBITDA multiples	3.5x to 8.5x
	Recent transactions	n/a	n/a
Corporate bonds, debentures or loans not traded or other finite set of cash flows	Discounted cash flows	Discount rates	10.0% to 20.0%

March 31, 2017	Valuation techniques	Significant unobservable input	Range
Unquoted equity instruments (including warrants) or partnership units	Public company comparables	EBITDA multiples	5.0x to 7.7x
	Recent transactions	n/a	n/a
Corporate bonds, debentures or loans not traded or other finite set of cash flows	Discounted cash flows	Discount rates	8.0% to 19.0%

The most significant unobservable input for fair value measurement is the multiple of earnings before interest, taxes, 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. As at March 31, 2018, 9 investee companies were valued using the earnings multiple approach. If the Company had used an

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

earnings multiple for each investee company that was higher or lower by 0.5 times, the potential effect would be an increase of \$18.8 million or decrease of \$19.7 million to the carrying value of corporate investments and net changes in unrealized gains or losses on corporate investments, on a pre-tax basis for the year ended March 31, 2018 (2017 – increase of \$29.6 million or decrease of \$29.3 million). 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 fair value is determined based on recent transaction information, this value is the most representative indication of fair value for a period of up to twelve months. The fair value of corporate bonds, debentures or loans is primarily determined using a discounted cash flow technique. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as further cash flows. For those investments valued based on recent transactions, Clairvest has determined that there are no reasonable alternative assumptions that would change the fair value materially as at March 31, 2018 and 2017.

18. CAPITAL DISCLOSURES

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

Clairvest's objectives in managing capital are to:

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

As at March 31, 2018 and 2017, Clairvest had no external capital requirements, other than as disclosed in *note 16*.

19. FUTURE CHANGES IN ACCOUNTING POLICIES

Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company has assessed the impact of IFRS 9 on its consolidated financial statements and has determined there are no significant changes to the classification or measurement of its financial instruments resulting from the adoption of this new standard on the required effective date.

Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently in the process of completing its evaluation of IFRS 15. Based on the analysis performed, the Company does not anticipate any significant transition adjustment to its consolidated financial statements from adoption of IFRS 15.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018 and 2017 (tabular dollar amounts in thousands, except per share information)

Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and will replace the previous lease standard, IAS 17 Leases, and related interpretations. Under IFRS 16, lessees are required to recognize assets and liabilities for most leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

20. SUBSEQUENT EVENTS

Subsequent to year-end, CEP IV Co-Invest realized its investment in MAG and sold its 33,736 Class A stock for US\$29.5 million in proceeds at closing and retaining a 5% ownership interest in Momentum Solutions. The promissory notes from MAG Aerospace Canada were also repaid in full. Total proceeds for CEP IV Co-Invest including the notes repayment was \$39.2 million.

21. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the fiscal 2018 consolidated financial statements.