

ANNUAL REPORT 2014

CLAIRVEST

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KNOWLEDGE BASED - VALUE FOCUSED

CLAIRVEST

CLAIRVEST IS ONE OF CANADA'S LEADING PROVIDERS OF PRIVATE EQUITY FINANCING TO MID-MARKET COMPANIES AND CURRENTLY HAS APPROXIMATELY C\$1.4 BILLION OF CAPITAL UNDER MANAGEMENT.

CLAIRVEST MANAGES ITS OWN CAPITAL AND THAT OF THIRD PARTIES, THROUGH THE CLAIRVEST EQUITY PARTNERS LIMITED PARTNERSHIPS.

CLAIRVEST PARTNERS WITH MANAGEMENT TO INVEST IN PROFITABLE, SMALL AND MID-SIZED NORTH AMERICAN COMPANIES WITH THE GOAL OF HELPING TO BUILD VALUE IN THE BUSINESS AND GENERATE SUPERIOR LONG TERM FINANCIAL RETURNS FOR INVESTORS.

CLAIRVEST SPECIALIZES IN CONSOLIDATING INDUSTRIES WITHIN A SPECIFIED REGION AND IN THE LOCAL MARKET CASINO INDUSTRY.

CONSISTENT AND DISCIPLINED INVESTMENT STRATEGY GENERATED ANOTHER YEAR OF POSITIVE RETURNS FOR OUR SHAREHOLDERS

FELLOW SHAREHOLDER,

During fiscal 2014, Clairvest shareholders were rewarded by another year of positive returns. The Company's consistent and disciplined strategy for shareholder value creation continued to grow book value as we laid the groundwork for further growth of Clairvest's investment portfolio with the creation of Clairvest Equity Partners V ("CEP V"). For the 12 months ended March 31, 2014, Clairvest's book value per share grew to \$24.92 from \$23.12 a year earlier. Subsequent to year end, the first close of CEP V was completed at over the fund's target. With a \$180 million commitment from Clairvest, the first closing of CEP V came to \$533 million, 107% over its target and an impressive 89% of its hard cap of \$600 million.

The positive momentum we have experienced with CEP V is partially attributed to the general positive wave that has swept over the equity markets. However, the reputation we have developed over our 27 year history as partners with abilities and integrity has been the driver of our success. We pride ourselves on the relationships we have generated and continue to build with our partners. The efforts of our operating partners combined with those of our employees have created many win-win situations that have, ultimately, driven the increases in our book value. Our track record speaks to this value creation best; the 38 deals originated by the current management team have turned \$466 million of invested equity into over \$1.2 billion.

NEW INVESTMENTS

We were able to continue with a healthy capital deployment pace in fiscal 2014 and completed 3 new investments. Two of the investments, County Waste of Virginia and Winters Bros. Waste Systems of CT, are in the solid waste management space where we have been active for several years. We are also very proud of the fact that both of these investments are alongside partners from prior investments that generated excellent returns. The third investment, Cieslok Media, is a leading Canadian outdoor advertising firm with many attractive growth opportunities in Canada. All three companies are already surpassing the growth milestones we expected of them when we invested.

CO-CHIEF EXECUTIVE OFFICERS' MESSAGE

A PROMISING OUTLOOK

Clairvest's proven investment strategy continues to yield positive results. As we look ahead to the balance of fiscal 2015, our portfolio companies are performing well and we are investigating a number of prospects for future investment. As always, we express our gratitude to Clairvest's fund partners for their support, to our investee companies for their entrepreneurship, to our management for their leadership, to our employees for their hard work and to our board members for their advice and counsel. Together, they provide the means to continue building shareholder value in Clairvest Group.



B. Jeffrey Parr
Co-Chief Executive Officer



Ken Rotman
Co-Chief Executive Officer

June 25, 2014

As at, and for the year ended March 31, 2014

The Management's Discussion and Analysis ["MD&A"] of financial condition and results of operations analyzes significant changes in Clairvest Group Inc.'s consolidated financial results, financial position, risks and opportunities. It should be read in conjunction with the Consolidated Financial Statements.

The following MD&A is the responsibility of Management and is as of June 25, 2014. The Board of Directors carries out its responsibility for review of this disclosure through its Audit Committee. The Audit Committee reviews the disclosure and recommends its approval to the Board of Directors. The Board of Directors has approved this disclosure.

INTRODUCTION

Clairvest Group Inc. ["Clairvest" or the "Company"] is a private equity investor that specializes in partnering with management teams and other stakeholders of both emerging and established companies. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ["CEP"], Clairvest Equity Partners III Limited Partnership ["CEP III"], Clairvest Equity Partners IV Limited Partnership ["CEP IV"] and Clairvest Equity Partners IV-A Limited Partnership ["CEP IV-A"], and Clairvest Equity Partners V Limited Partnership ["CEP V"] and Clairvest Equity Partners V-A Limited Partnership ["CEP V-A"] [together, the "CEP Funds"] in a small number of carefully selected companies that have the potential to generate superior returns.

The Company's shares are traded on the Toronto Stock Exchange under the stock symbol "CVG".

At March 31, 2014, Clairvest had 17 core investments in 9 different industries. One of these investments are joint investments with CEP, five are joint investments with CEP III and ten are joint investments with CEP IV and CEP IV-A [together, the "CEP IV Fund"]. Clairvest also holds an investment in Wellington Financial Fund IV ["Wellington Fund IV"].

OVERVIEW OF FISCAL 2014

An overview of the significant events during fiscal 2014 follows:

- Clairvest's book value increased \$27.5 million, or \$1.80 per share. The increase was primarily due to net income of \$2.03 per share, net of \$0.2312 per share in dividends paid. For the year ended March 31, 2014, Clairvest recorded net unrealized gains on its corporate investments totaling \$27.6 million, with significant growth in valuation for Centaur Gaming, Kubra Data Transfer Limited ["Kubra"] and Light Tower Rentals Inc. ["LTR"], net of a decrease in fair value for Chilean Gaming Holdings.
- Clairvest and the CEP IV Fund invested US\$24.0 million in County Waste of Virginia, LLC ["County Waste"], a private regional solid waste management company based in West Point, Virginia. Clairvest's portion of the investment is US\$6.4 million.
- Clairvest and the CEP IV Fund invested \$15.0 million in Cieslok Media Ltd. ["Cieslok"], a leading Canadian outdoor advertising firm, operating predominantly large format digital and static billboards throughout major cities in Canada. Clairvest's portion of the investment is \$4.0 million.
- Clairvest and the CEP IV Fund fully funded their US\$20.0 million commitment to invest in New Meadowlands Racetrack LLC [the "Meadowlands"], which operates North America's premier standardbred horse racing track located in East Rutherford, New Jersey. Clairvest's portion of the investment is US\$5.4 million.
- Clairvest and the CEP IV Fund invested US\$28.5 million in Winters Bros. Waste Systems of CT, LLC ["Winters Bros."], a regional solid waste collection, recycling and disposal company based in Danbury, Connecticut. Clairvest's portion of the investment is US\$7.6 million.
- At March 31, 2014, the CEP IV Fund pool, which includes a \$125 million commitment from Clairvest and \$342 million in third party capital, is approximately 60% invested and 75% allocated across 10 investments.
- Clairvest realized a loss of \$5.1 million on its investment in Landauer Metropolitan Inc. ["Landauer"], all but \$25 thousand of which had previously been recognized as unrealized losses.
- Clairvest received distributions totaling \$2.2 million from a Receiver in respect of a \$10.0 million loan advanced during fiscal 2006 and 2007 that was written off during fiscal 2007. The distributions bring the total recovery to \$10.0 million,

MANAGEMENT'S DISCUSSION AND ANALYSIS

without considering \$5.2 million of expenses incurred during the recovery process, all but \$0.1 million of which had previously been incurred and recorded as charges against income. Subsequent to year end, Clairvest received an additional \$0.5 million from the Receiver.

- Clairvest filed a new normal course issuer bid enabling it to make market purchases of up to 756,705 of its common shares in the 12-month period commencing March 6, 2014. No purchases have been made under this bid to June 25, 2014. As at June 25, 2014, Clairvest had repurchased a total of 6,595,049 common and non-voting shares over the last eleven years. As at June 25, 2014, 15,134,095 common shares are outstanding.
- Clairvest paid an annual ordinary dividend of \$0.10 per share and a special dividend of \$0.1312 per share, such that in aggregate, the dividends represented 1% of the March 31, 2013 book value. The dividends were paid on July 26, 2013 to common shareholders of record as of July 9, 2013. The dividends were eligible dividends for Canadian income tax purposes.

OUTLOOK

At March 31, 2014, Clairvest's current management team has made 38 platform investments and has realized or partially realized on 25 investments which have in aggregate generated 2.8 times invested capital. From inception, the Company has invested its own capital in every investment. Clairvest's team of professionals have all invested significant amounts of capital in the Company which allows Clairvest to approach each investment as owners and shareholders.

At March 31, 2014, Clairvest had \$115.8 million in cash, cash equivalents and temporary investments, access to \$95.0 million in credit facilities and \$192.1 million of additional capital available through the CEP Funds to fund new and follow-on investments. With a strong financial position, Clairvest has the ability to support the growth of its investee companies and to continue its active pursuit of new investment opportunities. Subsequent to year end, Clairvest completed the first closing of Clairvest Equity Partners V ["CEP V"], a new private equity investment pool which is a successor fund of the CEP IV Fund. The amount of the first closing of CEP V was \$518.0 million, 104% of CEP V's \$500 million target or 86% of the \$600 million cap, which is comprised of a \$180.0 million co-investment commitment from Clairvest and \$338.0 million of third-party capital. Subsequent to the first closing CEP V closed on an additional \$15.0 million of third party capital bringing total capital committed to CEP V to \$533.0 million. Clairvest has reserved the right to increase its commitment to \$200.0 million prior to the end of the fundraising period. The newly raised third party capital is expected to generate an annual increase to net management fees and priority distributions over the next few years and provides the ability for Clairvest to enhance its return by earning a carried interest.

Subsequent to year end, Clairvest, the CEP IV Fund and other investors made a combined \$13.3 million follow-on investment to acquire 15,489,851 common shares of Discovery Air Inc. ["Discovery Air"] for a 48.8% ownership interest on a fully-diluted basis. Discovery Air is a specialty aviation services business operating across Canada and in selected locations internationally. Clairvest's portion of the investment was \$4.2 million for a 15.3% ownership interest in Discovery Air on a fully-diluted basis.

Also subsequent to year end, Clairvest funded US\$0.6 million to acquire a 13.4% ownership interest of an entity which owns land and is pursuing a gaming opportunity in the United States. The company also advanced US\$0.6 million to a partner of this entity.

USE OF NON-GAAP MEASURES

This MD&A contains references to "book value" and "book value per share" which are non-GAAP financial measures. Book value is calculated as the value of total assets less the value of total liabilities. Book value per share is calculated as book value divided by the total number of common shares of the Company outstanding as at a specific date. The terms book value and book value per share do not have any standardized meaning according to GAAP. There is no comparable GAAP financial measure presented in the Company's consolidated financial statements and thus no applicable quantitative reconciliation for such non-GAAP financial measure. The Company believes that the measure provides information useful to

MANAGEMENT'S DISCUSSION AND ANALYSIS

its shareholders in understanding our performance, and may assist in the evaluation of the Company's business relative to that of its peers.

FORWARD-LOOKING STATEMENTS

A number of the matters discussed in this MD&A deal with potential future circumstances and developments and may constitute "forward-looking" statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general and economic business conditions and regulatory risks. The impact of any one risk factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future, considering all information then available.

All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

REGULATORY FILINGS

The Company's continuous disclosure materials, including interim filings, annual MD&A and audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Canadian System for Electronic Document Analysis and Retrieval ["SEDAR"] at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF CLAIRVEST'S CORPORATE INVESTMENTS AT MARCH 31, 2014

Investment	Industry Segment	Geographic Segment	Ownership Percentage ^[20]	Cost of Investment [millions]	Net Cash Investment [millions] ^[21]	Fair Value of Investment [millions] ^[22]	Description of Business
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS							
Grey Eagle Casino ^[1]	Gaming	Canada	Equity participation	\$ –	\$ [5.4]	\$ 2.1	A charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the city of Calgary, Alberta. CEP also has an equity participation in the Grey Eagle Casino.
N-Brook Mortgage LP ["N-Brook"] ^[2]	Financial Services	Canada	24.1%	\$ 2.2	\$ 2.2	\$ 0.1	A company that originated adjudicated and underwrote mortgages in Ontario, British Columbia, Manitoba and Alberta, Canada. CEP owns 72.3 % of N-Brook.
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS III							
Casino New Brunswick ^[3]	Gaming	Canada	22.5%	\$ 9.8	\$ 9.8	\$ 4.4	A gaming entertainment complex located in Moncton, New Brunswick. CEP III owns 67.5% of Casino New Brunswick.
Chilean Gaming Holdings ^[4]	Gaming	Chile	36.8%	\$ 28.7	\$ 21.6	\$ 29.4	An investment vehicle which holds an equity interest in various gaming entertainment complexes in Chile. CEP III owns 37.7% of Chilean Gaming Holdings.
Kubra Data Transfer Limited ["Kubra"] ^[5]	Business Services	United States	11.5%	\$ 2.2	\$ [0.8]	\$ 22.9	A business process outsourcing company focused on the distribution of household bills on behalf of its customers. CEP III owns 34.5% of Kubra.
Light Tower Rentals Inc. ["Light Tower Rentals"] ^[6]	Equipment Rental	United States	12.5%	\$ 8.2	\$ 8.2	\$ 36.3	An oilfield equipment rental company operating in major oil and gas drilling basins in the United States. CEP III owns 37.5% of Light Tower Rentals.
Lyophilization Services of New England Inc. ["LSNE"] ^[7]	Contract Manufacturing	United States	12.3%	\$ 7.5	\$ 7.5	\$ 8.2	A Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. CEP III owns 36.8% of LSNE.
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS IV							
Centaur Gaming ^[8]	Gaming	United States	Debt interest with stapled warrants	\$ 14.6	\$ 11.8	\$ 39.8	The owner and operator of the Hoosier Park Racing & Casino in Anderson, Indiana and the Indiana Grand Casino and Indiana Downs Racetrack ["Indiana Grand Casino"] in Shelbyville, Indiana. CEP IV and CEP IV-A have debt interests with stapled warrants.
Cieslok Media Ltd. ["Cieslok"] ^[9]	Outdoor Advertising	Canada	25.1%	\$ 4.0	\$ 4.0	\$ 4.0	A leading Canadian outdoor advertising firm, operating predominantly large format digital and static billboards throughout major cities in Canada. CEP IV and CEP IV-A own 59.2% and 9.4% of Cieslok respectively.

- [1] Clairvest had funded \$5.6 million to Grey Eagle Casino by way of 16% debentures which was repaid in full during fiscal 2012. Clairvest continues to hold 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.
- [2] Clairvest has funded \$5.0 million to N-Brook in the form of partnership units and warehouse loans. The net cash investment and fair value is reduced by \$2.8 million as a result of cash distributions received to date.
- [3] Clairvest has funded \$9.8 million to Casino New Brunswick by way of debentures and owns units of a limited partnership which operates Casino New Brunswick.
- [4] Clairvest owns 30,446,299 units of Chilean Gaming Holdings which holds a 50% interest in Casino Marina del Sol and a 48.8% interest in each of Casino Osorno and Casino sol Calama.
- [5] Clairvest owns 3,250,000 Class A voting common shares of Kubra. The net cash investment is reduced by the \$3.0 million in dividends received.
- [6] Clairvest owns 5,841,250 Series A convertible preferred shares and 8,428,387 common shares of Light Tower Rentals.
- [7] Clairvest owns 6,406,000 Series A 10% cumulative convertible preferred shares, 1,250,000 Series B 10% cumulative preferred shares and a US\$0.4 million demand promissory note of LSNE. Clairvest also advanced short-term working capital loans totaling US\$0.2 million to LSNE which are included in accounts receivable.
- [8] Clairvest invested \$14.6 million in Centaur Gaming by way of unsecured term loans with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of Class A and Class B units of Centaur Gaming. Clairvest also invested US\$6.0 million in first lien secured loans and US\$6.0 million in second lien secured loans from its treasury funds which are included in temporary investments. At March 31, 2014, US\$0.7 million of the first lien secured notes have been repaid.
- [9] Clairvest owns 4,014,989 common shares of Cieslok.

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Investment	Industry Segment	Geographic Segment	Ownership Percentage ^[20]	Cost of Investment [millions]	Net Cash Investment [millions] ^[21]	Fair Value of Investment [millions] ^[22]	Description of Business
INVESTMENTS MADE ALONGSIDE CLAIRVEST EQUITY PARTNERS IV							
County Waste of Virginia, LLC ["County Waste"] ^[10]	Waste Management	United States	12.5%	\$ 6.7	\$ 6.7	\$ 7.1	A private regional solid waste management company based in West Point, Virginia. CEP IV and CEP IV-A own 29.7% and 4.7% of County Waste respectively.
CRS Contractors Rental Supply Limited Partnership ["CRS"] ^[11]	Equipment Rental	Canada	13.4%	\$ 10.6	\$ 10.1	\$ 12.5	A provider of equipment rental services and related merchandise across Ontario, Canada. CEP IV and CEP IV-A own 31.6% and 5.0% of CRS respectively.
Discovery Air Inc. ["Discovery Air"] ^[12]	Specialty Aviation	Canada	Debt interest convertible to 10.5%	\$ 22.0	\$ 22.0	\$ 28.1	A specialty aviation services business operating across Canada and in selected locations internationally. CEP IV and CEP IV-A have a debt interest convertible to 13.2% and 2.1% in Discovery Air respectively.
Linen King, LLC ["Linen King"] ^[13]	Textile Rental Service	United States	21.7%	\$ 2.5	\$ 2.5	\$ 0.7	An Oklahoma based textile rental company that provides commercial laundry services, primarily to hospitals. CEP IV and CEP IV-A own 51.1% and 8.1% of Linen King respectively.
Momentum Aviation Group ["MAG"] ^[14]	Specialty Aviation	United States	9.4%	\$ 2.4	\$ 2.4	\$ 2.9	A U.S.-based specialty aviation and intelligence, surveillance and reconnaissance service provider. CEP IV and CEP IV-A have Class A stock convertible to 22.4% and 3.6% interest respectively.
New Meadowlands Racetrack LLC [the "Meadowlands"] ^[15]	Gaming	United States	Debt interest	\$ 5.6	\$ 5.6	\$ 6.3	Operates North America's premier standardbred horse racing track located in East Rutherford, New Jersey. CEP IV and CEP IV-A have debt interests.
Rivers Casino ^[16]	Gaming	United States	5.0%	\$ 7.5	\$ [7.8]	\$ 21.8	A gaming entertainment complex located in Des Plaines, Illinois. CEP IV and CEP IV-A own 11.8% and 1.9% of Rivers Casino respectively.
Winters Bros. Waste Systems of CT, LLC ["Winters Bros."] ^[17]	Waste Management	United States	13.4%	\$ 8.1	\$ 8.1	\$ 8.4	A regional solid waste collection, recycling and disposal company based in Danbury, Connecticut. CEP IV and CEP IV-A own 31.6% and 5.0% of Winters Bros. respectively.
STANDALONE INVESTMENTS							
Wellington Financial Fund IV ["Wellington Fund IV"] ^[18]	Financial Services	Canada	12.6%	\$ 13.8	\$ 11.5	\$ 15.6	Provides debt capital and operating lines to technology, biotechnology, communications and industrial product companies in Canada and the United States.
OTHER INVESTMENTS^[19]				\$ 0.8	\$ 0.8	\$ [9.5]	
TOTAL INVESTMENTS				\$ 157.2	\$ 120.8	\$ 241.1	

[10] Clairvest owns 4,539.62 Class B units of County Waste and US\$1.9 million of convertible debentures with a stated interest rate of 10% per annum

[11] Clairvest owns 10,572,805 limited partnership units of CRS.

[12] Clairvest invested \$22.0 million in Discovery Air by way of 5.5 year term convertible debentures with a stated interest rate of 10% per annum.

[13] Clairvest owns 2,529,209 Class A units of Linen King.

[14] Clairvest owns 23,822 Class A stock of MAG.

[15] Clairvest invested US\$5.4 million in the Meadowlands by way of secured convertible debentures with a stated interest rate of 15% per annum.

[16] Clairvest owns 9,021,917 units of Rivers Casino.

[17] Clairvest owns 76,284.8 Class C units of Winters Bros.

[18] Clairvest has committed to fund \$25.1 million to Wellington Fund IV, \$13.8 million of which had been funded at March 31, 2014. The net cash investment is reduced by \$2.3 million as a result of income distributions received to date.

[19] Other investments include the fair values attributable to limited partners of Participation III and IV Partnerships as described in note 4[c] and 4[f] to the consolidated financial statements.

[20] Ownership percentage calculated on a fully diluted basis at March 31, 2014.

[21] Net cash investment is comprised of cost net of dividends, interest and other distributions received but excludes advisory and other fees received, foreign income taxes incurred by acquisition entities and foreign exchange gains or losses on foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments.

[22] The determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments and an estimate of fair value for privately-held investments. The fair value of foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments is not included in this fair value.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Selected Financial Performance Measures

Year ended March 31, [\$000's, except number of shares and per share amounts]	2014	2013	2012
Financial Performance Measures			
Net realized gains [losses] on corporate investments	\$ [25]	\$ 9,009	\$ 545
Net changes in unrealized gains on corporate investments	27,581	4,598	16,590
Net income	30,746	35,763	22,416
Basic net income per share	2.03	2.36	1.46
Fully diluted net income per share	1.99	2.32	1.43
Dividends declared per share	0.2312	0.2093	0.1965
Financial Condition Measures [as at March 31]			
Total assets	411,774	378,936	338,424
Total cash, cash equivalents and temporary investments	115,786	174,513	97,583
Total corporate investments	241,066	176,390	187,876
Total liabilities	34,626	29,248	21,997
Book value	377,148	349,688	316,427
Common shares outstanding	15,134,095	15,124,095	15,118,095
Book value per share	24.92	23.12	20.93

Income Statement Highlights

Clairvest's operating results reflect revenue earned from its corporate investments and cash, cash equivalents and temporary investments and realized and net changes in unrealized gains and losses on its corporate investments. These results are net of all costs incurred to manage these assets. The operating results of the CEP Funds are not included in Clairvest's operating results.

Net income for the year ended March 31, 2014 was \$30.7 million, versus \$35.8 million for the year ended March 31, 2013 and \$22.4 million for the year ended March 31, 2012.

Clairvest had net realized losses of \$25.0 thousand in fiscal 2014 versus \$9.0 million of net realized gains in fiscal 2013 and \$0.5 million of net realized gains in fiscal 2012. The net realized gains in 2013 resulted primarily from the realization of Clairvest's investment in PEER 1 Network Enterprises Inc. ["PEER 1"]. Previously recognized net unrealized gains [losses] of these investments are reversed and netted against net realized gains [losses] for the respective year.

Clairvest had net changes in unrealized gains on investments of \$27.6 million in fiscal 2014 versus \$4.6 million in fiscal 2013 and \$16.6 million in fiscal 2012. Unrealized gains or losses result from changes in the fair value of the investments from one year to the next and do not reflect foreign exchange revaluations. Clairvest has implemented a hedging strategy to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar by hedging 100% of the fair value of its foreign investments, unless a specific exemption is approved by the Board of Directors. The changes in unrealized gains or losses on corporate investments are summarized as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Changes in Unrealized Gains [Losses] on Investments [\$000's]

Year ended March 31,	2014	2013	2012
Investments in publicly-traded securities			
PEER 1 Network Enterprises Inc.	\$ —	\$ —	\$ 1,504
	—	—	1,504
Investments in privately-held securities			
Casino New Brunswick	1,958	—	[2,744]
Centaur Gaming	18,714	3,815	[2,598]
Chilean Gaming Holdings	[7,554]	6,395	1,559
CRS Contractors Rental Supply Limited Partnership	1,931	—	—
Grey Eagle Casino	[301]	825	299
Kubra Data Transfer Limited	8,529	4,614	[778]
Landauer Metropolitan Inc.	—	[6,907]	962
Light Tower Rentals Inc.	9,010	2,602	6,116
Linen King, LLC	[141]	[1,744]	—
Lyophilization Services of New England Inc.	[130]	2,360	[1,389]
Momentum Aviation Group	241	—	—
N-Brook Mortgage LP	297	—	—
Rivers Casino ^[1]	[959]	[3,849]	15,689
Wellington Financial Fund II	[8]	[26]	[56]
Wellington Financial Fund III / IV	[972]	711	206
	30,615	8,796	17,266
Other investments ^[2]	[3,034]	[4,198]	[2,180]
	\$ 27,581	\$ 4,598	\$ 16,590

[1] The net unrealized loss on Rivers Casino during fiscal 2013 was the result of \$13.2 million in distributions and interest received during the year.

[2] Includes fair value attributable to limited partners of Participation III and IV Partnerships as described in note 4[c] and 4[f] to the consolidated financial statements.

Further details on net changes in unrealized gains/losses on investments can be found in the discussion of Clairvest's corporate investments below.

Net income in fiscal 2014 included distributions and interest income of \$21.3 million, dividend income from investee companies of \$1.6 million, management fees from CEP IV-A of \$0.6 million, advisory and other fees from Clairvest's investee companies of \$1.7 million, a realized gain on temporary investments of \$2.2 million, administration and other expenses of \$18.6 million, finance and foreign exchange expense of \$0.8 million and income tax expense of \$4.9 million. Included in distributions and interest income was \$7.0 million in priority distributions from CEP III and CEP IV, \$0.3 million in General Partner income distributions from CEP and \$11.3 million in distributions and interest from Clairvest's investee companies. Included in administration and other expenses were management and directors compensation expense totaling \$14.1 million, \$6.2 million of which is performance based.

Net income in fiscal 2013 included distributions and interest income of \$32.3 million, dividend income from investee companies of \$4.6 million, management fees from CEP and CEP IV-A of \$1.0 million, advisory and other fees from

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clairvest's investee companies of \$1.4 million, a realized gain on temporary investments of \$7.8 million, administration and other expenses of \$17.9 million, finance and foreign exchange expense of \$1.0 million and income tax expense of \$6.0 million. Included in distributions and interest income was \$7.5 million in priority distributions from CEP III and CEP IV, \$0.9 million in General Partner income distributions from CEP and \$19.9 million in distributions and interest from Clairvest's investee companies. Included in administration and other expenses were management and directors compensation expense totaling \$12.4 million, \$6.4 million of which is performance based.

Net income in fiscal 2012 included distributions and interest income of \$19.3 million, dividend income of \$4.4 million, management fees from CEP and CEP IV-A of \$1.1 million, advisory and other fees from Clairvest investee companies of \$2.0 million, administration and other expenses of \$15.4 million, finance and foreign exchange expense of \$1.7 million and income tax expense of \$4.5 million. Included in distributions and interest income was \$7.4 million in priority distributions from CEP III and CEP IV, \$2.2 million in General Partner income distributions from CEP and \$6.3 million in distributions and interest from Clairvest's investee companies. Included in dividend income were dividends totaling \$4.3 million from Clairvest's investee companies. Included in administration and other expenses were management and directors compensation expense totaling \$10.9 million, \$4.9 million of which is performance based.

Balance Sheet Highlights

ASSETS

Total assets at March 31, 2014 were \$411.8 million, an increase of \$32.9 million from \$378.9 million at March 31, 2013.

With \$115.8 million in cash, cash equivalents and temporary investments ["treasury funds"] and \$95.0 million in credit facilities, Clairvest has sufficient capital and liquidity to support its current and anticipated investments.

At March 31, 2014, the Company's treasury funds were held in cash, money market savings accounts rated R1-High, guaranteed investment certificates and investment savings accounts rated not below A+, and a treasury investment in the first and second lien loans of Centaur Gaming [see Notes 3 and 14 to the consolidated financial statements for a detailed discussion of the Company's treasury funds].

Clairvest has a \$75.0 million, committed credit facility with a maturity date of April 30, 2020. The credit facility is unsecured and bears interest at the rate of 11.0% per annum on drawn amounts and 1.0% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2014 is \$75.0 million.

Clairvest also has a \$20.0 million credit facility subject to annual renewals. The credit facility is unsecured and bears interest at the bank prime rate plus 0.5% per annum. The amount available under the credit facility at March 31, 2014 is \$20.0 million, which is based on debt covenants within the banking arrangement.

As is typical of a private equity management firm, Clairvest's main asset is its corporate investments. Corporate investments increased \$64.7 million to \$241.1 million at March 31, 2014. The increase is comprised primarily of:

- A \$8.1 million investment in Winter Bros.;
- A \$6.7 million investment in County Waste;
- A \$5.6 million investment in the Meadowlands;
- A \$4.0 million investment in Cieslok;
- Net follow-on investments totaling \$2.2 million in existing investee companies;
- Net changes in unrealized gains on corporate investments of \$27.6 million; and
- Interest accrued on debenture investments of \$3.0 million and foreign exchange revaluations of \$9.0 million; partially offset by
- Partial return of capital from N-Brook of \$0.9 million

Corporate investments decreased \$11.5 million to \$176.4 million from March 31, 2012 to March 31, 2013. The decrease primarily resulted from a net return of capital from Centaur Gaming of \$14.8 million, the realization of PEER 1 which was carried at \$10.4 million at March 31, 2012, repayment of the \$4.5 million bridge loan previously advanced to Discovery Air, partial return of capital from N-Brook of \$1.9 million, net return of capital from Wellington Fund IV of \$1.4 million, partial return of capital from Rivers Casino, partially offset by, a \$10.6 million investment in CRS, a \$1.9 million

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investment in MAG, \$0.1 million in follow-on investments in existing investee companies, net changes in unrealized gains on corporate investments of \$4.6 million, interest accrued on debenture investments of \$2.5 million and foreign exchange revaluations of \$3.1 million.

The cost and fair value of corporate investments described below do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against the Company's foreign denominated investments which are described in note 12[b] to the consolidated financial statements. A discussion on the activity in each corporate investment held at March 31, 2014 follows.

INVESTMENTS MADE ALONGSIDE CEP

Grey Eagle Casino

At March 31, 2014, Clairvest holds units of a limited partnership which operates Grey Eagle Casino, entitling Clairvest between 2.8% and 9.6% of the earnings of the casino from the date of commencement of operations, December 19, 2007, for a period of 15 years.

During fiscal 2014, Clairvest earned \$0.3 million in profit distributions from Grey Eagle Casino, bringing total profit distributions earned to March 31, 2014 to \$0.7 million.

The fair value of \$2.1 million at March 31, 2014 reflects management's estimated realizable value on the earnings entitlement.

N-Brook Mortgage LP

During fiscal 2014, Clairvest received cash proceeds totaling \$0.9 million from N-Brook, bringing total return of capital to \$2.8 million, or 55% of the \$5.0 million originally invested.

At March 31, 2014, Clairvest owned 3,931,984 Series 1 limited partnership units and 15 Class A ordinary limited partnership units of N-Brook.

The fair value of \$0.1 million at March 31, 2014 compares to a cost of \$2.2 million. The fair value reflects management's estimated realizable value based on the remaining mortgage portfolio held by N-Brook.

INVESTMENTS MADE ALONGSIDE CEP III

Casino New Brunswick

At March 31, 2014, Clairvest has funded \$9.8 million to Casino New Brunswick in the form of debentures with a stated interest at a rate of 6% per annum. The interest which was waived between March 1, 2011 and December 31, 2012 resumed effective January 1, 2013, with 45% of the interest payable in cash and the remaining 55% payable in-kind. Clairvest also holds units of a limited partnership which operates Casino New Brunswick, entitling Clairvest to 22.5% of the earnings of the casino until December 31, 2030.

During fiscal 2014, Clairvest recorded \$0.4 million in net interest income, which represents the portion payable in cash.

Clairvest had previously pledged \$5.4 million to a Schedule 1 Canadian chartered bank which provided debt financing to Casino New Brunswick. During fiscal 2014, the pledge was no longer required and the restriction on the \$5.4 million was released.

Also during fiscal 2014, management determined that the fair value of Casino New Brunswick should be adjusted upward by \$1.9 million as result of improved performance and reduced leverage.

The fair value of \$4.4 million at March 31, 2014 compares to a cost of \$9.8 million. The fair value reflects management's estimated realizable value.

Chilean Gaming Holdings

At March 31, 2014, Clairvest owned 30,446,299 limited partnership units of Chilean Gaming Holdings, representing a 36.8% ownership interest on a fully-diluted basis.

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During fiscal 2014, Clairvest earned dividends totaling \$1.6 million through its interest in Chilean Gaming Holdings, bringing total dividends earned to March 31, 2014 to \$8.0 million.

Also during fiscal 2014, management determined that the fair value of Chilean Gaming Holdings should be adjusted downward by \$7.6 million as a result of an adverse change to profitability as a result of a change in legislation in Chile.

The fair value of \$29.4 million at March 31, 2014 compares to a cost of \$28.7 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

Kubra Data Transfer Limited

At March 31, 2014, Clairvest owned 3,250,000 Class A voting common shares of Kubra, representing a 11.5% ownership interest on a fully-diluted basis.

The fair value of \$22.9 million compares to a cost of \$2.2 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations. The increase in fair value of \$8.5 million during fiscal year ended March 31, 2014 was due to Kubra's continuing performance and increases in public comparable trading multiples.

Light Tower Rentals Inc.

At March 31, 2014, Clairvest owned 5,841,250 Series A convertible preferred shares and 8,428,387 common shares in Light Tower Rentals, representing a 12.5% ownership interest on a fully-diluted basis.

The fair value of \$36.3 million at March 31, 2014 compares to a cost of \$8.2 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations. The increase in fair value of \$9.0 million during fiscal year ended March 31, 2014 was due to increases in public comparable trading multiples.

Lyophilization Services of New England Inc.

At March 31, 2014, Clairvest owned 6,406,000 Series A 10% cumulative preferred shares which are convertible into a 12.3% ownership interest on a fully-diluted basis, 1,250,000 Series B 10% cumulative preferred shares and US\$0.4 million in demand promissory notes.

The fair value of \$8.2 million at March 31, 2014 compares to a cost of \$7.5 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

Clairvest had also advanced short-term, working capital loans totaling US\$0.2 million to LSNE which is included in accounts receivable.

INVESTMENTS MADE ALONGSIDE CEP IV

Centaur Gaming

At March 31, 2014, Clairvest held US\$13.6 million in term loans with stapled warrants which are convertible upon exercise to 9.9% of Class A and B units in Centaur Gaming.

The fair value of \$39.8 million at March 31, 2014 compares to a cost of \$14.6 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations. The increase in fair value of \$18.7 million during fiscal year ended March 31, 2014 was due to the synergies achieved through the acquisition of Indiana Grand Casino and increases in public comparable trading multiples.

Cieslok Media Ltd.

During fiscal 2014, Clairvest invested \$4.0 million for 4,014,989 common shares of Cieslok, representing a 25.1% ownership interest on a fully-diluted basis.

The fair value of \$4.0 million at March 31, 2014 compares to a cost of \$4.0 million.

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County Waste of Virginia, LLC

During fiscal 2014, Clairvest invested US\$4.5 million for 4,539.62 Class B units of County Waste, representing a 12.5% ownership interest on a fully-diluted basis. Subsequently, Clairvest invested an additional US\$1.9 million in the form of convertible debentures with a stated interest rate of 10% per annum payable in-kind.

The fair value of \$7.1 million at March 31, 2014 compares to a cost of \$6.7 million, with the difference being attributable to accrued interest on the debentures and is adjusted for foreign exchange fluctuations.

CRS Contractors Rental Supply Limited Partnership

At March 31, 2014, Clairvest owned 10,572,805 limited partnership units of CRS, representing a 13.4% ownership interest on a fully-diluted basis. Clairvest has the right to receive proceeds equal to an additional 1.7% economic interest in CRS until Clairvest has received three times its invested capital.

During fiscal 2014, Clairvest earned \$0.5 million in distributions from CRS. As a result of CRS' flow-through status for tax purposes, Clairvest is required to include in its income tax expense calculation its portion of the taxable income generated by CRS. During fiscal 2014, Clairvest incurred income tax obligations totaling \$0.5 million as a result of its investment in CRS.

The fair value of \$12.5 million at March 31, 2014 compares to a cost of \$10.6 million. The fair value reflects management's estimated realizable value.

Discovery Air Inc.

At March 31, 2014, Clairvest held \$28.0 million in secured convertible debentures ["Debentures"] of Discovery Air. The Debentures, which have a 5.5 year term from issuance and are subject to certain early redemption rights in favor of Discovery Air, had an original principal value of \$22.0 million and accrue interest at a rate of 10% per annum and interest is paid in kind quarterly and compounded on an annual basis. The Debentures and any paid in kind interest are convertible into 2,939,330 common shares of Discovery Air. At March 31, 2014, the conversion price for the Debentures was \$9.55 per share and the closing quoted market price of a Discovery Air common share was \$1.01 per share.

The fair value of \$28.1 million at March 31, 2014 compares to a cost of \$22.0 million, with the difference being attributable to accrued interest on the Debentures.

Subsequent to year end, Clairvest invested an additional \$4.2 million for 4,943,244 common shares of Discovery Air for a 15.3% ownership interest on a fully-diluted basis.

Linen King, LLC

At March 31, 2014, Clairvest owned 2,529,209 Class A units of Linen King, representing a 21.7% ownership interest on a fully-diluted basis.

The fair value of \$0.7 million at March 31, 2014 compares to a cost of \$2.5 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

Momentum Aviation Group

During fiscal 2014, Clairvest invested an additional \$0.5 million to acquire 5,085 Class A stock of MAG. At March 31, 2014, Clairvest owned 23,822 Class A stock of MAG, representing a 9.4% ownership interest on a fully-diluted basis. The Class A stock have a stated dividend rate of 10% per annum and each Class A stock is convertible into 1.0114 common stock of MAG.

During fiscal 2014, MAG incorporated a Canadian subsidiary ["MAG Canada"] which provides aircraft logistics for goods and crews to both government and commercial customers. In support of MAG Canada, Clairvest advanced working capital loans totaling \$11.0 million, bearing interest at 10.0% per annum compounded daily to MAG Canada, \$7.7 million of these loans were repaid such that \$3.3 million remained outstanding at March 31, 2014 and has been included in loans

MANAGEMENT'S DISCUSSION AND ANALYSIS

receivable. The loans were repaid in full subsequent to year end. Interest of \$0.1 million was earned from loans to MAG Canada during fiscal 2014.

The fair value of \$2.9 million at March 31, 2014 compares to a cost of \$2.4 million, with the difference being attributable to accrued dividends and is adjusted for foreign exchange fluctuations.

New Meadowlands Racetrack LLC

During fiscal 2014, Clairvest fully funded its US\$5.4 million commitment in the Meadowlands by way of secured debentures which accrue interest at a rate of 15% per annum, 10% of which is payable quarterly in cash and 5% accrued quarterly. Clairvest also received warrants which entitle it to invest in equity securities of the Meadowlands subject to certain conditions.

The fair value of \$6.3 million at March 31, 2014 compares to a cost of \$5.6 million, with the difference being attributable to unpaid interest on the debentures and is adjusted for foreign exchange fluctuations.

Rivers Casino

During fiscal 2014, Clairvest redeemed its equity interest in a minority investor which invested in Rivers Casino [the "Minority Investor"] in exchange for direct ownership in Rivers Casino such that Clairvest continues to own a 5.0% ownership interest in Rivers Casino on a fully-diluted basis.

Also during fiscal 2014, Clairvest earned \$4.4 million in quarterly distributions and \$0.5 million in quarterly fees from Rivers Casino. As a result of Clairvest's investment in Rivers Casino requiring certain acquisition entities in the United States, Clairvest, through its acquisition entities, incurred U.S. income tax obligations totaling \$1.7 million during fiscal 2014.

At March 31, 2014, Clairvest owned 9,021,917 units of Rivers Casino.

The fair value of \$21.8 million at March 31, 2014 compares to a cost of \$7.5 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

Winters Bros. Waste Systems of CT, LLC

During fiscal 2014, Clairvest invested US\$7.6 million for 76,284.8 Class C units of Winters Bros., representing a 13.6% ownership interest on a fully-diluted basis.

The fair value of \$8.4 million at March 31, 2014 compares to a cost of \$8.1 million. The fair value reflects management's estimated realizable value and is adjusted for foreign exchange fluctuations.

OTHER INVESTMENTS

Wellington Financial Fund III / IV

Clairvest, as a limited partner, had funded \$13.8 million of its \$25.1 million commitment to Wellington Fund IV, a successor fund of Wellington Fund III, at March 31, 2014. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund IV. At March 31, 2014, Clairvest has received income distributions totaling \$2.3 million from Wellington Fund IV and its General Partner, reducing the net cash investment to \$11.5 million. In addition, Clairvest received distributions from Wellington Fund III totaling \$9.0 million to March 31, 2014, and is entitled to future profits of up to \$0.5 million based on the value of the remaining assets of Wellington Fund III at March 31, 2014.

The fair value of \$15.6 million at March 31, 2014 reflects management's estimated realizable value of Clairvest's entitlement as a limited partner and a general partner of Wellington Fund III and IV.

Subsequent to year end, an additional \$0.5 million was funded to Wellington Fund IV.

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LIABILITIES

Total liabilities at March 31, 2014 were \$34.6 million, an increase of \$5.4 million from \$29.2 million at March 31, 2013. Performance based compensation accrued and income taxes accrued increased by \$3.4 million and \$2.7 million respectively year over year.

TRANSACTIONS WITH RELATED PARTIES

Clairvest, as general partner of CEP is entitled to participate in distributions made by CEP equal to 10% of net gains of CEP [the "carried interest"]. During fiscal 2014, Clairvest earned \$0.3 million in carried interest from CEP, which brings total carried interest earned by Clairvest from CEP at March 31, 2014 to \$11.4 million. If CEP were to sell its corporate investments at their current fair values, Clairvest would receive up to \$0.7 million in carried interest from CEP. As no such realizations have occurred, the \$0.7 million has not been recognized at March 31, 2014. Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP via a limited partnership ["Participation Partnership"], the general partner of which is Clairvest.

As the general partner of CEP III, Clairvest is entitled to a priority distribution from CEP III. Effective January 13, 2011, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of any fees earned by Clairvest from corporate investments of CEP III. During fiscal 2014, CEP III declared to Clairvest priority distributions of \$1.6 million. As per the Limited Partnership Agreement, fees of \$0.3 million from corporate investments of CEP III were netted against the priority distributions.

Clairvest is also entitled to a 10% carried interest in respect of CEP III. No carried interest has been earned by Clairvest from CEP III to March 31, 2014. At March 31, 2014, if CEP III were to sell its corporate investments at their current fair values, Clairvest would receive up to \$16.9 million in carried interest from CEP III. As no such realizations have occurred, the \$16.9 million has not been recognized at March 31, 2014. Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP III via a limited partnership ["Participation III Partnership"], the general partner of which is Clairvest.

Clairvest is required to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Investment Limited Partnership ["CEP III Co-Invest"] was established in fiscal 2007 as the investment vehicle for this purpose. CEP III Co-Invest has two limited partners, one of which is Clairvest, and the other is Participation III Partnership. Participation III Partnership has invested \$1.1 million in CEP III Co-Invest and is entitled to an 8.25% carried interest in respect of CEP III Co-Invest.

Clairvest is entitled to participate in distributions equal to the realizable value on the \$1.1 million invested by Participation III Partnership in CEP III Co-Invest plus the first \$0.2 million received by the Participation III Partnership as described above. At March 31, 2014, \$0.6 million has been received by Clairvest. At March 31, 2014, if CEP III Co-Invest were to sell its corporate investments at their current fair values, Participation III Partnership would receive up to \$5.5 million in carried interest from CEP III Co-Invest based on the terms described above, the amount of which has been recorded as a reduction to the fair value of corporate investments. To date, CEP III Co-Invest has not made any carried interest payments to Participation III Partnership.

As general partner of CEP IV, Clairvest is entitled to a priority distribution from CEP IV. The priority distribution is calculated monthly as follows: [i] from April 2010, being the month in which CEP IV made its first investment, to January 13, 2011, being the last day on which CEP III calculated its priority distributions based on committed capital ["CEP III Termination Date"], 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; [ii] from January 14, 2011 to the earlier of January 13, 2016, being the fifth anniversary of the date of the final closing of CEP IV, and the date upon which consideration based on committed capital is payable in respect of CEP V, 0.1667% of committed capital; and [iii] thereafter, 0.1667% of invested capital net of write-downs of capital invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by Clairvest from corporate investments of CEP IV.

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During fiscal 2014, CEP IV declared to Clairvest priority distributions of \$5.4 million. As per the Limited Partnership Agreement, fees of \$0.5 million from corporate investments of CEP IV were netted against the priority distributions.

Clairvest is also entitled to a 10% carried interest in respect of CEP IV. No carried interest has been earned by Clairvest from CEP IV to March 31, 2014. At March 31, 2014, if CEP IV were to sell its corporate investments at their current fair values, Clairvest would receive up to \$8.9 million in carried interest from CEP IV. As no such realizations have occurred, the \$8.9 million has not been recognized at March 31, 2014. Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP IV via a limited partnership ["Participation IV Partnership"], the general partner of which is Clairvest.

As manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. The management fee is calculated monthly as follows: [i] from April 2010, being the month in which CEP IV-A made its first investment, to January 13, 2011, being the CEP III Termination Date, 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; [ii] from January 14, 2011 to the earlier of January 13, 2016, being the fifth anniversary of the date of the final closing of CEP IV-A, and the date upon which consideration based on committed capital is payable in respect of CEP V, 0.1667% of committed capital; and [iii] thereafter, 0.1667% of invested capital net of write-downs of capital 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 2014, Clairvest earned management fees of \$0.6 million as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, \$0.3 million was netted against the management fees.

As general partner of CEP IV-A, Clairvest is also entitled to a 10% carried interest in respect of CEP IV-A. No carried interest has been earned by Clairvest from CEP IV-A to March 31, 2014. At March 31, 2014, if CEP IV-A were to sell its corporate investments at their current fair values, Clairvest would receive up to \$1.7 million in carried interest from CEP IV-A. As no such realizations have occurred, the \$1.7 million has not been recognized at March 31, 2014. Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP IV-A via Participation IV Partnership.

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-Investment Limited Partnership ["CEP IV Co-Invest"] was established in fiscal 2010 as the investment vehicle for this purpose. CEP IV Co-Invest has two limited partnerships, one of which is Clairvest, and the other is Participation IV Partnership. Participation IV Partnership has invested \$1.6 million in CEP IV Co-Invest and is entitled to an 8.25% carried interest in respect of CEP IV Co-Invest.

Clairvest is entitled to participate in distributions equal to the realizable value on the \$1.6 million invested by Participation IV Partnership in CEP IV Co-Invest plus the first \$0.4 million received by the Participation IV Partnership as described above. No amounts have been received by Clairvest at March 31, 2014. At March 31, 2014, if CEP IV Co-Invest were to sell its corporate investments at their current fair values, Participation IV Partnership would receive up to \$4.7 million in carried interest from CEP IV Co-Invest based on the terms described above, the amount of which has been recorded as a reduction to the fair value of corporate investments. To date, CEP IV Co-Invest has not made any carried interest payments to Participation IV Partnership.

At March 31, 2014, Clairvest had loans receivable from certain officers of Clairvest [the "Officers"] totaling \$1.4 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest owned by the Officers with a market value of \$2.1 million. At March 31, 2014, Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totaling \$0.6 million. The loans are interest bearing and have full recourse to the individuals. Interest of \$45 thousand was earned on these loans during fiscal 2014.

During the year ended March 31, 2014, loans totaling \$19.2 million, bearing interest at the prime rate, were made by the Company to CEP III. During fiscal 2014, \$3.6 million of these loans were repaid such that \$15.6 million remained outstanding at March 31, 2014. Interest of \$0.1 million was earned from loans to CEP III during fiscal 2014.

At March 31, 2013, the Company had advanced to CEP IV \$4.5 million of loans bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement. During fiscal 2014, additional loans totaling \$63.1 million

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were made by the Company to CEP IV. Also during fiscal 2014, \$58.9 million of these loans and loans previously advanced were repaid such that \$8.7 million remained outstanding at March 31, 2014. Interest of \$0.3 million was earned from loans to CEP IV during fiscal 2014.

At March 31, 2013, the Company had advanced to CEP IV-A \$0.7 million of loans bearing interest at the Reference Rate in accordance with CEP IV-A's Limited Partnership Agreement. During fiscal 2014, additional loans totaling \$8.8 million were made by the Company to CEP IV-A. Also during fiscal 2014, \$8.7 million of these loans and loans previously advanced were repaid such that \$0.8 million remained outstanding at March 31, 2014. Interest of \$14 thousand was earned from loans to CEP IV-A during fiscal 2014.

During fiscal 2014, Clairvest earned \$10.4 million in distributions and interest income, \$1.6 million in dividend income and \$1.7 million in advisory and other fees from its investee companies. At March 31, 2014, Clairvest had accounts receivable from its investee companies totaling \$3.1 million, from CEP totaling \$8 thousand, from CEP III totaling \$2.6 million, from CEP IV totaling \$3.5 million and from CEP IV-A totaling \$0.5 million.

During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of \$3.5 million, \$1.7 million of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by the director of Clairvest. At March 31, 2014, Clairvest's portion of the net book value of the aircraft of \$1.5 million is recorded in accounts receivable and other assets. Clairvest received 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses.

SUMMARY OF QUARTERLY RESULTS

	Gross Revenue	Net Income	Net Income Per Common Share*	Net Income Per Common Share Fully Diluted*
[\$000's except per share information]	\$	\$	\$	\$
March 31, 2014	7,109	1,452	0.10	0.10
December 31, 2013	16,799	10,872	0.72	0.71
September 30, 2013	21,002	14,697	0.97	0.95
June 30, 2013	10,098	3,725	0.25	0.24
March 31, 2013	16,086	10,111	0.67	0.66
December 31, 2012	14,673	8,445	0.55	0.54
September 30, 2012	12,202	7,647	0.51	0.50
June 30, 2012	17,673	9,560	0.63	0.62

* The sum of quarterly net income [loss] per common share may not equal to the full year net income per common share due to rounding.

Significant variations arise in the quarterly results due to realized gains and losses on corporate investments, net changes in unrealized gains and losses on corporate investments which are re-valued on a quarterly basis when conditions warrant an adjustment to the fair value of the corporate investment, and stock-based compensation due to the movement in the trading price of Clairvest's common shares.

FOURTH QUARTER RESULTS

Net income for the fourth quarter of fiscal 2014 was \$1.5 million compared with a net income of \$10.1 million for the fourth quarter of fiscal 2013. Net income for the fourth quarter of fiscal 2014 is comprised of \$0.5 million of net corporate investment losses, \$2.5 million of net operating income, and \$0.5 million of income tax expense. This compares with net corporate investment gains of \$8.6 million, \$3.0 million of net operating income, and \$1.5 million of income tax expense for the fourth quarter of fiscal 2013.

The net corporate investment losses of \$0.5 million for the fourth quarter of fiscal 2014 comprised entirely of \$0.5 million in net changes in unrealized losses on corporate investments. The net corporate investment gains of \$8.6 million for

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the fourth quarter of fiscal 2013 comprised of \$9.0 million in net changes in unrealized gains on corporate investments and \$0.4 million in realized loss on corporate investments.

Distributions and interest income for the quarter was \$6.7 million, compared with \$6.0 million for the same quarter last year. Distributions and interest income for the fourth quarter of fiscal 2014 included yield on treasury funds of \$0.8 million, priority distributions of \$1.7 million from CEP III and CEP IV, interest income from loans advanced to the CEP funds of \$0.1 million and \$4.1 million of income distributions and interest income from Clairvest's investee companies. Distributions and interest income for the fourth quarter of fiscal 2013 included yield on treasury funds of \$0.8 million, priority distributions of \$1.8 million from CEP III and CEP IV, General Partner income distributions of \$0.1 million from CEP, interest income from loans advanced to the CEP funds of \$0.4 million and \$2.9 million of income distributions and interest income from Clairvest's investee companies.

Dividend income for the quarter was \$0.3 million, compared with \$0.8 million for the same quarter last year. Dividend income for the fourth quarter of fiscal 2014 and 2013 was entirely earned through Clairvest's investment in Chilean Gaming Holdings.

Clairvest earned \$0.2 million in management fees during the quarter for its services in the administration of CEP IV-A's portfolio and \$0.5 million in advisory and other fees from its corporate investments, compared with \$0.2 million and \$0.4 million, respectively, for the same quarter last year. The CEP IV-A management fee is reduced proportionately to fees earned by Clairvest from joint Clairvest/CEP IV-A corporate investments.

Administration and other expenses for the quarter were \$5.0 million, compared with \$4.1 million for the same quarter last year. Included in administration and other expenses for the fourth quarter of fiscal 2014 was \$1.3 million of performance based compensation expense for management and directors, compared with \$1.5 million for the same quarter last year.

Finance and foreign exchange expense of \$0.2 million for the quarter included interest and fees expensed on the \$75 million credit facility of \$0.3 million net of \$0.1 million in foreign exchange gains. Finance and foreign exchange expense of \$0.4 million for the fourth quarter of fiscal 2013 included \$0.3 million in interest and fees expensed on the \$75 million credit facility and foreign exchange cost of \$0.1 million.

OFF-BALANCE SHEET ARRANGEMENTS

Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is \$54.7 million, \$3.5 million of which remains unfunded at March 31, 2014. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if it concurrently sells a proportionate number of securities of that corporate investment held by CEP.

Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is \$75.0 million, \$15.2 million of which remains unfunded at March 31, 2014. Clairvest 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.

Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. Clairvest's total co-investment commitment is \$125.0 million, \$46.6 million of which remains unfunded at March 31, 2014. Clairvest 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.

Clairvest has also committed \$25.1 million to Wellington Fund IV, \$11.3 million of which remains unfunded at March 31, 2014.

At March 31, 2014, Clairvest has earned profit distributions totaling \$4.1 million through its ownership interest in the General Partners of Wellington Fund III and Wellington Fund IV. Subject to the clawback provisions, Clairvest may be required to repay up to \$0.8 million of these distributions in the event the limited partners of Wellington Fund IV do not

MANAGEMENT'S DISCUSSION AND ANALYSIS

meet their return threshold as specified in the respective Limited Partnership Agreements. At March 31, 2014, there were no accruals made with respect to the Clawback.

Clairvest has guaranteed up to US\$15.0 million of CEP III's obligations to a Schedule 1 Canadian Chartered Bank under CEP III's foreign exchange forward contracts with the bank.

Under Clairvest's Incentive Bonus Program [the "Program"], a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable. Amounts are accrued under this plan to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2014, \$0.4 million has been accrued under the Program. If Clairvest and the CEP Funds were to sell their corporate investments at their current fair values, an additional bonus of \$2.7 million would be owing to management under this Program. As no such income and realizations have occurred and the terms of the bonus plan with respect to these corporate investments have not yet been fulfilled, the \$2.7 million has not been accrued at March 31, 2014. The Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.

Clairvest, together with CEP III, has guaranteed to fund any cash flow or debt service shortfalls of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2014, no amounts subject to this guarantee have been funded.

An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2014, no amounts subject to this guarantee have been funded.

As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, had loans totaling \$42.0 million at March 31, 2014 through various acquisition entities from an unrelated financial institution, while another acquisition entity held term deposits totaling \$42.0 million at March 31, 2014 with the same financial institution as security for these loans. Clairvest intends to settle the loans, the deposits and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposits and the loans, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition vehicles was 36.8% at March 31, 2014, with CEP III owning 37.7% and the remainder owned by the other co-investors.

During fiscal 2014, received a \$2.2 million distribution from a Receiver in respect of assets previously frozen by the Court and now ordered by the Court to be paid to Clairvest which brings the total recovery against the \$10 million loan advanced in two tranches of \$5.0 million in each of December 2005 and May 2006 to \$10.0 million, without consideration of the cost incurred in the recovery process. The loan was written off and Clairvest recorded a realized loss in its financial statements for the year ended March 31, 2007. Clairvest continues to seek additional recoveries against certain parties. Subsequent to year end, Clairvest received an additional \$0.5 million in proceeds on its recovery efforts.

In connection with its normal business operations, Clairvest 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, Clairvest does not believe that it will incur any material loss in connection with such actions.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Clairvest's consolidated financial statements in conformity with Canadian generally accepted accounting principles ["GAAP"] requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. On an on-going basis, management reviews its

MANAGEMENT'S DISCUSSION AND ANALYSIS

estimates and assumptions. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. The critical accounting estimates that have a material impact on Clairvest's consolidated financial statements are with respect to corporate investments and future tax asset/liability.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for temporary and corporate investments. In accordance with the Canadian Institute of Chartered Accountants ["CICA"] Accounting Guideline 18, "Investment Companies" ["AcG-18"], the Company designated its temporary investments and corporate investments as held-for-trading and carries them at fair value. Clairvest has also designated its receivables and payables as held-for-trading in accordance with CICA Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

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 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 amounts at fair value which take 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, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly-traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private market 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 for which is traded on a recognized securities exchange, and 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 for 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.

A change to an accounting estimate with respect to Clairvest's privately-held corporate investments or publicly-traded corporate investments would impact corporate investments and unrealized gains/losses on corporate investments.

Note 2 to the consolidated financial statements describes Clairvest's accounting policy for future income taxes. The process of determining future income tax assets and liabilities requires management to exercise judgment while considering the anticipated timing of disposal of corporate investments, and proceeds thereon, tax planning strategies, changes in tax laws and rates, and loss carry-forwards. Future income tax assets are only recognized to the extent that in

MANAGEMENT'S DISCUSSION AND ANALYSIS

the opinion of management, it is more likely than not that the future income tax asset will be realized. A change to an accounting estimate with respect to future income taxes would impact future tax liability and provision for income taxes.

RISK MANAGEMENT

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

Credit risk

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

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

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

Market risk

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

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash equivalents and temporary investments 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%, the potential effect would be an increase or decrease of \$0.8 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2014.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings used for each individual investment. 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 in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. Investments which are valued using the earnings multiple approach include Casino New Brunswick, Centaur Gaming, Chilean Gaming Holdings, CRS, Kubra, Light Tower Rentals, Linen King, MAG and Rivers Casino. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of \$22.4 million or decrease of \$21.8 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, 2014. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 17 core companies in 9 industries and 3 countries as at March 31, 2014. The Company has considered current economic events and indicators in the valuation of its corporate investments.

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. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, at March 31, 2014, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the Board of Directors.

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

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-balance sheet arrangement have been previously discussed.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

DERIVATIVE FINANCIAL INSTRUMENTS

Clairvest enters into foreign exchange forward contracts primarily to manage the risks arising from fluctuations in exchange rates on its foreign denominated investments. Clairvest is required to mark to market its foreign-denominated investments, as well as the foreign exchange forward contracts entered into as hedges against Clairvest's foreign denominated investments. During fiscal 2014, the Company recorded a \$10.7 million realized loss on expired foreign exchange forward contracts and a \$1.2 million net unrealized gain on unexpired foreign exchange forward contracts, both of which have been recorded in finance and foreign exchange expense in the consolidated statements of income. The Company also recorded a foreign exchange gain of \$9.9 million on the foreign exchange revaluation of its foreign-denominated investments.

At March 31, 2014, Clairvest had entered into foreign exchange forward contracts to sell US\$159.1 million at an average rate of Canadian \$1.0998 per U.S. dollar through to February 2015 and foreign exchange forward contracts to sell 14.7 billion Chilean Pesos ["CLP"] at an average rate of Canadian \$0.001976 per CLP through to June 2014. The fair value of the US dollar contracts at March 31, 2013 is a loss of \$1.6 million and the fair value of the CLP contracts at March 31, 2014 is a loss of \$0.3 million. These contracts have been recognized on the consolidated balance sheet as derivative instruments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

UPDATED SHARE INFORMATION

At March 31, 2014 and June 25, 2014, Clairvest had 15,134,095 common shares issued and outstanding. At March 31, 2014 and June 25, 2014, Clairvest had 565,000 stock options outstanding, 558,000 of which were exercisable at March 31, 2014 and June 25, 2014. Each option is exercisable for one common share.

During fiscal 2014 and up to June 25, 2014, Clairvest did not purchase or cancel any common shares under its normal course issuer bids. As at June 25, 2014, Clairvest had repurchased a total of 6,595,049 common and non-voting shares over the last ten years.

During fiscal 2014, 50,000 options were exercised, 10,000 of which were exercised for shares, increasing share capital by \$0.2 million. The remaining 40,000 were exercised under the cash settlement plan and had no impact on share capital.

Clairvest paid an ordinary dividend of \$0.10 per share on the common shares in each of fiscal 2014, fiscal 2013 and fiscal 2012. During fiscal 2014, 2013 and 2012, Clairvest also paid a special dividend of \$0.1312, \$0.1093 and \$0.0965 per share respectively, such that in aggregate with the ordinary dividend, represented 1% of the March 31, 2013, 2012 and 2011 book values.

Subsequent to year end, Clairvest declared an annual ordinary dividend of \$0.10 per share, and a special dividend of \$0.1492 per share, such that in aggregate, the dividends represent 1% of the March 31, 2014 book value. The dividends will be payable to common shareholders of record as of July 9, 2014. The dividend will be paid on July 25, 2014. Both dividends are eligible dividends for Canadian income tax purposes.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ["CSA"], Management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as of March 31, 2014 and concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

National Instrument 52-109 also requires certification from the Chief Executive Officers and Chief Financial Officer to certify their responsibilities for establishing and maintaining internal controls with regards to the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management has evaluated Clairvest's design and operational effectiveness of internal controls over financial reporting for the year ended March 31, 2014. Management has concluded that the design of internal controls over financial reporting are effective and operating as designed as of March 31, 2014 based on this evaluation. There were no changes in internal controls during the most recent interim period that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting. The Company has not identified any weakness that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

During fiscal 2008, the Canadian Accounting Standards Board ["AcSB"] confirmed the use of International Financial Reporting Standards ["IFRS"] for all Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. Subsequently, the AcSB approved a three-year deferral from IFRS adoption which would allow Canadian companies that apply AcG-18 to continue to use existing Canadian GAAP until fiscal years beginning on or after January 1, 2014. Accordingly, the Company will adopt IFRS beginning in the first quarter of fiscal 2015, which begins on April 1, 2014.

As at March 31, 2014, the Company has chosen various accounting policies which it will adopt in the first quarter of fiscal 2015. A description of significant IFRS policies to be adopted and their corresponding financial reporting implications are provided below.

IFRS 1 requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively, subject to certain mandatory exceptions and limited optional exemptions in specific areas of certain standards that will not

MANAGEMENT'S DISCUSSION AND ANALYSIS

require retroactive application of IFRS. Clairvest has reviewed the mandatory exceptions and optional exemptions and has determined that there will be no material impact to the financial condition of the Company.

IFRS 2 details how an entity should account for equity-settled share-based payment transactions and cash-settled share-based payment transactions. The Company has reviewed its accounting policies for the stock-based compensation plan and the deferred share unit plan to assess whether these plans are required to be accounted for in accordance with IFRS 2. Based on its review, the Company is required to adopt the prescribed graded vesting method for its stock-based compensation plan which results in front-loading of expenses during the vesting period, as well as to measure the liability incurred at fair value by applying an option pricing model. As a result of this change, the opening retained earnings at April 1, 2013 is expected to decrease by approximately \$0.2 million, with a corresponding increase in stock-based compensation liabilities. A recovery of \$0.1 million is expected during the fiscal year ended March 31, 2014. No changes are expected for the deferred share unit plan as a result of the Company's adoption of IFRS 2.

IFRS 10 requires consolidation of an investee company only if the investor possesses power over the investee company, has exposure to variable returns from its involvement with the investee company and has the ability to use its power over the investee company to affect its returns. During fiscal 2013, the International Accounting Standards Board ["IASB"] issued final amendments to IFRS for Investment Entities which will be effective for annual periods beginning on or after January 1, 2014, with earlier application permitted. The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity and require such entities to measure its investee companies and all its corresponding acquisition entities at fair value through profit and loss. The Company has concluded that it qualifies as an investment entity as defined by the IASB and that fair value accounting will continue to be the method for which the Company accounts for its investee companies. By applying the amendments for investment companies under IFRS 10, the Company is required to fair value its acquisition entities and certain wholly-owned subsidiaries which had previously been consolidated under Canadian GAAP as described in basis of presentation section of note 2 to the consolidated financial statements. As a result of this change, amounts previously presented as separate balance sheet items will be included in the determination of fair value of corporate investments and the corresponding acquisition entities. Such amounts include working capital accounts of certain wholly-owned subsidiaries and acquisition entities, back-to-back loans in the holding structure for Chilean Gaming Holdings, tax assets and liabilities of certain wholly-owned subsidiaries, derivative instruments held by certain wholly-owned subsidiaries and foreign income taxes of acquisition entities. Notwithstanding the changes required as described, opening equity is not expected to be materially impacted as a result of the adoption of IFRS 10.

IFRS 13 provides a single framework for measuring fair value and requires enhanced disclosures when fair value is used for measurement. The adoption of IFRS 13 is not expected to require any material adjustments to the valuation techniques used by the Company to measure fair value of its temporary investments and its corporate investments.

IAS 12 requires deferred [future] income tax positions be calculated based on the best estimate of the amount expected to be paid considering all relevant factors. The adoption of IAS 12 is not expected to require any material adjustments to the Company's deferred income tax positions.

IAS 19 prescribes the accounting and disclosure for employee benefits. The adoption of IAS 19 may require the accrual of future payouts under the Bonus Program even where the realization event for such payout has not yet occurred. Based on the fair values of the Company's corporate investments at April 1, 2013, the Company may be required to record a downward adjustment to the opening retained earnings of \$2.0 million on a pre-tax basis with a corresponding increase in accrued liabilities. An additional \$0.7 million in employee compensation expense on a pre-tax basis is expected for the fiscal year ended March 31, 2014 with a corresponding increase in accrued liabilities.

The Company does not expect the adoption of IFRS in fiscal 2015 will result in a significant impact to internal controls over financial reporting or the Company's information technology systems. Formal communications with the Audit Committee have been established to ensure timely decisions are made on key issues and risks.

The Company is currently reviewing other IFRS accounting policies which may result in changes to the disclosure requirements, in particular, for financial instruments and related party transactions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company continues to monitor new developments to IFRS which may result in additional significant accounting differences and impacts to internal controls over financial reporting and information technology systems.

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 financial statements are prepared in accordance with Canadian generally accepted accounting principles. 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, 2014. Based on that evaluation, Management concluded that the Company's internal control over financing reporting was effective for the year ended March 31, 2014.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee. The Audit Committee, which comprised of three non-management Directors during the year ended March 31, 2014, 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
Co-Chief Executive Officer and Managing Director



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 balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income, retained earnings 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 Canadian generally accepted accounting principles, 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

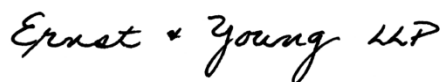
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Canada,
June 25, 2014.

Chartered Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

As at March 31

\$000's	2014	2013
ASSETS		
Cash and cash equivalents [notes 3, 11 and 14]	\$ 52,791	\$ 114,805
Temporary investments [notes 3 and 14]	62,995	59,708
Restricted temporary investments [notes 6[d] and 14]	—	5,425
Accounts receivable and other assets [notes 4[g], 4[l] and 7]	14,482	12,048
Income taxes recoverable	6,937	5,195
Loans receivable [notes 4[h], 4[i], 4[j], 6[o], 14 and 16]	33,503	5,365
Corporate investments [notes 6, 12[b] and 14]	241,066	176,390
	\$ 411,774	\$ 378,936
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities [notes 10 and 13[g]]	\$ 14,149	\$ 11,255
Income taxes payable	1,015	1,993
Derivative instruments [note 12[b]]	1,873	3,115
Future tax liability [note 8]	10,095	6,474
Stock-based compensation [note 10]	7,494	6,411
	\$ 34,626	\$ 29,248
Contingencies, commitments and guarantees [notes 12 and 13]		
Shareholders' equity		
Share capital [note 9]	\$ 79,314	\$ 79,101
Retained earnings	297,834	270,587
	377,148	349,688
	\$ 411,774	\$ 378,936

See accompanying notes

On behalf of the Board:



MICHAEL BREGMAN
Director



JOSEPH J. HEFFERNAN
Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31

\$000's [except per share information]	2014	2013
NET INVESTMENT GAINS		
Net realized gains [losses] on corporate investments [notes 5 and 6[b]]	\$ [25]	\$ 9,009
Net changes in unrealized gains on corporate investments [note 6]	27,581	4,598
	27,556	13,607
OTHER INCOME		
Distributions and interest income [notes 4 and 6]	21,265	32,347
Dividend income [notes 4[k] and 6[e]]	1,619	4,596
Management fees [notes 4[a] and 4[e]]	621	974
Advisory and other fees [note 4[k]]	1,719	1,360
Realized gain on temporary investments [note 13[k]]	2,250	7,750
	27,474	47,027
EXPENSES		
Administration and other expense [notes 10 and 13[g]]	18,614	17,899
Finance and foreign exchange expense	759	961
	19,373	18,860
Income before income taxes	35,657	41,774
Income tax expense [notes 6[l], 6[q] and 8]	4,911	6,011
Net income for the year	\$ 30,746	\$ 35,763
Basic net income per share [note 9]	\$ 2.03	\$ 2.36
Fully-diluted net income per share [note 9]	\$ 1.99	\$ 2.32

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended March 31

\$000's	2014	2013
Retained earnings, beginning of year	\$ 270,587	\$ 237,989
Net income for the year	30,746	35,763
	301,333	273,752
Dividends paid	[3,499]	[3,165]
Retained earnings, end of year	\$ 297,834	\$ 270,587

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31

\$000's	2014	2013
OPERATING ACTIVITIES		
Net income for the year	\$ 30,746	\$ 35,763
Add [deduct] items not involving a current cash outlay		
Amortization of fixed assets	346	369
Stock-based compensation expense	1,225	1,516
Future income tax expense	3,621	2,326
Net realized losses [gains] on corporate investments	25	[9,009]
Net changes in unrealized gains on corporate investments	[27,581]	[4,598]
Non-cash items relating to foreign exchange forward contracts	9,431	3,283
Non-cash items relating to corporate investments	[11,453]	[6,336]
	6,360	23,314
Net change in non-cash working capital balances related to operations [note 11]	[2,606]	8,767
Cash provided by operating activities	3,754	32,081
INVESTING ACTIVITIES		
Acquisition of corporate investments	[26,551]	[29,701]
Proceeds on sale of corporate investments	884	31,219
Return of capital from corporate investments	—	29,911
Cost of realized foreign exchange forward contracts	[10,673]	[1,899]
Net proceeds on sale of temporary investments	[3,287]	4,989
Loans advanced [notes 4[h], 4[i], 4[j], 6[o] and 16]	[107,048]	[34,168]
Receipt of loans advanced [notes 4[h], 4[i], 4[j] and 6[o]]	78,910	52,543
Decrease in restricted temporary investments	5,425	5
Cash provided by [used in] investing activities	[62,340]	52,899
FINANCING ACTIVITIES		
Cash dividends paid	[3,499]	[3,165]
Issuance of share capital [note 9]	71	104
Cash used in financing activities	[3,428]	[3,061]
NET INCREASE [DECREASE] IN CASH AND CASH EQUIVALENTS DURING THE YEAR	[62,014]	81,919
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	114,805	32,886
CASH AND CASH EQUIVALENTS, END OF YEAR [NOTE 11]	52,791	114,805
SUPPLEMENTAL CASH FLOW INFORMATION		
Income taxes paid	\$ 4,611	\$ 2,013
Interest paid, on gross basis [note 13[l]]	\$ 1,406	\$ 1,407

See accompanying notes

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1. NATURE OF ACTIVITIES

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ["Canadian GAAP" or "GAAP"] and include the accounts of the Company, its wholly owned subsidiaries and its pro-rata ownership of various acquisition entities that exist for investing purposes. All intercompany amounts and transactions have been eliminated upon consolidation.

In accordance with the Canadian Institute of Chartered Accountants ["CICA"] Accounting Guideline 18 "Investment Companies" ["AcG-18"], the Company designated its temporary investments and its corporate investments as held-for-trading and carries them at fair value. Clairvest also designated its receivables and payables as held-for-trading in accordance with the CICA Handbook Section 3855. Accordingly, each of Clairvest's financial assets and liabilities is fair valued on each consolidated balance sheet date.

Future accounting changes

In February 2008, the Canadian Accounting Standards Board ["AcSB"] confirmed that the use of International Financial Reporting Standards ["IFRS"] will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. Subsequently, the AcSB approved a three-year deferral from IFRS adoption which would allow Canadian companies that apply AcG-18 to continue to use existing Canadian GAAP until fiscal years beginning on or after January 1, 2014.

During fiscal 2013, the International Accounting Standards Board ["IASB"] issued final amendments to IFRS for Investment Entities. The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity and require such entities to measure its investee companies at fair value through profit and loss.

Clairvest has concluded that it meets the definition of an investment entity under IFRS and is in the process of evaluating the impacts of adopting IFRS as an investment entity. For the quarter ended June 30, 2014, Clairvest will issue financial statements with comparative data on an IFRS basis.

Significant accounting policies

The following is a summary of the significant accounting policies of the Company:

[a] 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 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

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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, liquidity of the security and the size of Clairvest's ownership block and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

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

In determining the fair value of public company warrants, the underlying security of which is traded on a recognized securities exchange, if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security of which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

[b] Foreign currency translation

Income and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Corporate investments are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates and exchange gains or losses are included in financial and foreign exchange expense in the consolidated statements of income. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses are included in income in the period in which they occur.

[c] Derivative financial instruments

The Company periodically enters into foreign exchange forward contracts to hedge its exposure to exchange rate fluctuations on its foreign currency denominated investments. These foreign exchange forward contracts and, where applicable, their underlying investments, are valued at exchange rates in effect at the consolidated balance sheet dates.

Foreign exchange forward contracts are included on the consolidated balance sheets 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 at the consolidated balance sheet dates. Any unrealized gains or losses are included in finance and foreign exchange expense in the consolidated statements of income.

[d] 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 reflected in the consolidated statements of income. Management fees and advisory and other fees are recorded as income on an accrual basis when earned.

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Distributions and interest income are recognized on an accrual basis and dividend income is recognized on the ex-dividend date.

[e] **Future income taxes**

The Company records future income tax expense or recovery using the asset and liability method. Under this method, future income taxes reflect the expected future 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. Future 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. Future income tax assets are only recognized to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

[f] **Stock-based compensation plan**

The Company's stock option plan allows for a cash settlement of stock options. As a result, compensation expense is recognized and recorded as a liability based on the intrinsic value of the outstanding stock options at the consolidated balance sheet dates and the proportion of their vesting periods that have elapsed. 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 administration and other expense.

[g] **Deferred share unit plan**

Directors of the Company may elect to receive all or a portion of their compensation in deferred share units ["DSUs"]. On the date directors' fees are payable, the number of DSUs to be credited to a participant is determined by dividing the amount of the fees to be received by way of DSUs by the market value of a Clairvest common share on the TSX. 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 market value of a Clairvest common share on the TSX 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 in the fair value of the DSUs is charged to administration and other expense based on the number of DSUs outstanding at the consolidated balance sheet dates multiplied by the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates.

During fiscal 2008, the DSU plan was amended to also facilitate the issuance of Appreciation Deferred Share Units ["Appreciation DSUs"] to the directors of the Company. Upon redemption of the Appreciation DSUs, the Company pays to the participant a lump sum cash payment equal to the number of Appreciation DSUs to be redeemed multiplied by the difference between the market value of a Clairvest common share on the TSX on the redemption date and the market value of a Clairvest common share on the TSX on the grant date. A participant may redeem his or her Appreciation DSUs only following termination of board service. Under the Company's DSU plan, the fair value of the Appreciation DSUs is charged to administration and other expense based on the number of Appreciation DSUs outstanding at the consolidated balance sheet dates multiplied by the difference between the market value of a Clairvest common share on the TSX at the consolidated balance sheet dates and the market value of a Clairvest common share on the TSX on the grant date.

[h] **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.

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As the Company's BVAR plan is a cash settled plan, the fair value of the BVARs is charged to administration and other expense and recorded as a liability over the BVAR vesting period based on the book value per share at the consolidated balance sheet date of the prior quarter.

[i] Net income per share

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

[j] Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates.

3. CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

Cash equivalents consist of deposits in investment and money market savings accounts and mutual fund deposits which have maturities of less than 90 days from the date of acquisition. The yield ranges between 1.2% and 1.4% per annum [2013 – between 1.2% and 1.4%] with a weighted average rate of pre-tax return of 1.3% per annum [2013 – 1.2%].

Temporary investments consist of guaranteed investment certificates and corporate bonds and loans which have maturities greater than 90 days from the date of acquisition and through to February 2020. The yield on these investments ranges between 1.5% and 9.2% per annum [2013 – between 1.7% and 9.2%] with a weighted average rate of pre-tax return of 3.0% per annum [2013 – 3.2%]. The composition of Clairvest's temporary investments at March 31 was as follows:

	2014			2013
	Due in 1 year or less	Due after 1 year	Total	Total
Guaranteed investment certificates	\$ 40,466	\$ 9,987	\$ 50,453	\$ 44,335
Corporate bonds and loans	—	12,542 ^[1]	12,542	15,373 ^[1]
	\$ 40,466	\$ 22,529	\$ 62,995	\$ 59,708

^[1] In addition to the corporate investment Clairvest made in Centaur Gaming as described in note 6[i], Clairvest also made a treasury investment in Centaur Gaming during fiscal 2013 in the form of a US\$6.0 million first lien secured loans and a US\$6.0 million second lien secured loans, US\$0.7 million of the first lien secured notes have been repaid during fiscal 2014. The aggregate carrying value these loans at March 31, 2014 was \$12.5 million [2013 - \$12.3 million].

4. RELATED PARTY TRANSACTIONS

[a] As the manager of CEP, Clairvest was entitled to a management fee from CEP until March 1, 2013. The management fee was calculated annually as 1.5% of contributed capital less distributions on account of capital and write-downs of capital invested. During fiscal 2013, Clairvest earned management fees of \$0.3 million from CEP. As per the Management Agreement, fees of \$0.1 million from corporate investments of CEP were netted against the management fees.

Clairvest, as general partner of CEP, is entitled to participate in distributions made by CEP equal to 10% of net gains of CEP [the "carried interest"]. During fiscal 2014, Clairvest earned \$0.3 million [2013 – \$0.9 million] in carried interest from CEP, which brings total carried interest earned by Clairvest from CEP at March 31, 2014 to \$11.4 million [2013 – \$11.1 million]. If CEP were to sell its corporate investments at their current fair values, Clairvest would receive up to \$0.7 million [2013 – \$1.0 million] in carried interest from CEP. As no such realizations have occurred, the \$0.7 million [2013 – \$1.0 million] has not been recognized at March 31, 2014.

Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP via a limited partnership ["Participation Partnership"], the general partner of which is Clairvest.

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- [b] As the general partner of CEP III, Clairvest is entitled to a priority distribution from CEP III. Effective January 13, 2011, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of fees earned by Clairvest from corporate investments of CEP III. During fiscal 2014, CEP III declared to Clairvest priority distributions of \$1.6 million [2013 – \$1.9 million]. As per the Limited Partnership Agreement, fees of \$0.3 million [2013 – \$0.3 million] from corporate investments of CEP III were netted against the priority distributions.

Clairvest is also entitled to a 10% carried interest in respect of CEP III. No carried interest has been earned by Clairvest from CEP III to March 31, 2014. At March 31, 2014, if CEP III were to sell its corporate investments at their current fair values, Clairvest would receive up to \$16.9 million [2013 – \$11.6 million] in carried interest from CEP III. As no such realizations have occurred, the \$16.9 million [2013 – \$11.6 million] has not been recognized at March 31, 2014.

Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP III via a limited partnership ["Participation III Partnership"], the general partner of which is Clairvest.

- [c] As described in note 13[b], Clairvest is required to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Investment Limited Partnership ["CEP III Co-Invest"] was established in fiscal 2007 as the investment vehicle for this purpose. CEP III Co-Invest has two limited partners, one of which is Clairvest, and the other is Participation III Partnership. Participation III Partnership has invested \$1.1 million in CEP III Co-Invest and is entitled to an 8.25% carried interest in respect of CEP III Co-Invest.

Clairvest is entitled to participate in distributions equal to the realizable value on the \$1.1 million invested by Participation III Partnership in CEP III Co-Invest plus the first \$0.2 million received by the Participation III Partnership as described above. At March 31, 2014, \$0.6 million [March 2013 – \$0.3 million] has been received by Clairvest.

At March 31, 2014, if CEP III Co-Invest were to sell its corporate investments at their current fair values, Participation III Partnership would receive up to \$5.5 million [2013 – \$4.7 million] in carried interest from CEP III Co-Invest based on the terms described above, the amount of which has been recorded as a reduction to the fair value of corporate investments. To date, CEP III Co-Invest has not made any carried interest payments to Participation III Partnership.

- [d] As general partner of CEP IV, Clairvest is entitled to a priority distribution from CEP IV. The priority distribution is calculated monthly as follows: [i] from April 2010, being the month in which CEP IV made its first investment, to January 13, 2011, being the last day on which CEP III calculated its priority distributions based on committed capital ["CEP III Termination Date"], 0.1667% of capital allocated to specifically identifiable investments net of any write-downs of capital invested; [ii] from January 14, 2011 to the earlier of January 13, 2016, being the fifth anniversary of the date of the final closing of CEP IV, and the date upon which consideration based on committed capital is payable in respect of Clairvest Equity Partners V Limited Partnership ["CEP V"], 0.1667% of committed capital; and [iii] thereafter, 0.1667% of invested capital net of write-downs of capital invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by Clairvest from corporate investments of CEP IV. During fiscal 2014, CEP IV declared to Clairvest priority distributions of \$5.4 million [2013 – \$5.6 million]. As per the Limited Partnership Agreement, fees of \$0.5 million [2013 – \$0.3 million] from corporate investments of CEP IV were netted against the priority distributions.

Clairvest is also entitled to a 10% carried interest in respect of CEP IV. No carried interest has been earned by Clairvest from CEP IV to March 31, 2014. At March 31, 2014, if CEP IV were to sell its corporate investments at their current fair values, Clairvest would receive up to \$8.9 million [2013 – \$4.9 million] in carried interest from CEP IV. As no such realizations have occurred, the \$8.9 million [2013 – \$4.9 million] has not been recognized at March 31, 2014.

Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP IV via a limited partnership ["Participation IV Partnership"], the general partner of which is Clairvest.

- [e] As manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. The management fee is calculated monthly as follows: [i] from April 2010, being the month in which CEP IV-A made its first investment, to January 13, 2011, being the CEP III Termination Date, 0.1667% of capital allocated to specifically identifiable investments net of any

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write-downs of capital invested; [ii] from January 14, 2011 to the earlier of January 13, 2016, being the fifth anniversary of the date of the final closing of CEP IV-A, and the date upon which consideration based on committed capital is payable in respect of CEP V, 0.1667% of committed capital; and [iii] thereafter, 0.1667% of invested capital net of write-downs of capital 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 2014, Clairvest earned management fees of \$0.6 million [2013 – \$0.6 million] as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, \$0.3 million [2013 – \$0.3 million] was netted against the management fees.

As general partner of CEP IV-A, Clairvest is also entitled to a 10% carried interest in respect of CEP IV-A. No carried interest has been earned by Clairvest from CEP IV-A to March 31, 2014. At March 31, 2014, if CEP IV-A were to sell its corporate investments at their current fair values, Clairvest would receive up to \$1.7 million [2013 – \$0.8 million] in carried interest from CEP IV-A. As no such realizations have occurred, the \$1.7 million [2013 – \$0.8 million] has not been recognized at March 31, 2014.

Principals and employees of Clairvest are entitled to participate in another 10% of carried interest from CEP IV-A via Participation IV Partnership.

- [f] As described in note 13[c], Clairvest is required to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Investment Limited Partnership ["CEP IV Co-Invest"] was established in fiscal 2010 as the investment vehicle for this purpose. CEP IV Co-Invest has two limited partnerships, one of which is Clairvest, and the other is Participation IV Partnership. Participation IV Partnership has invested \$1.6 million in CEP IV Co-Invest and is entitled to an 8.25% carried interest in respect of CEP IV Co-Invest.

Clairvest is entitled to participate in distributions equal to the realizable value on the \$1.6 million invested by Participation IV Partnership in CEP IV Co-Invest plus the first \$0.4 million received by the Participation IV Partnership as described above. No amounts have been received by Clairvest at March 31, 2014.

At March 31, 2014, if CEP IV Co-Invest were to sell its corporate investments at their current fair values, Participation IV Partnership would receive up to \$4.7 million [2013 – \$2.5 million] in carried interest from CEP IV Co-Invest based on the terms described above, the amount of which has been recorded as a reduction to the fair value of corporate investments. To date, CEP IV Co-Invest has not made any carried interest payments to Participation IV Partnership.

- [g] Included in accounts receivable and other assets are share purchase loans made to certain officers of the Company totaling \$1.4 million [2013 – \$1.1 million]. The share purchase loans bear interest which interest 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 \$2.1 million [2013 – \$1.4 million]. Also included in accounts receivable and other assets are other loans made to certain officers of a company affiliated with Clairvest totaling \$0.6 million [2013 – \$0.6 million]. The loans to officers of the affiliated company bear interest which is paid quarterly. Loans are repayable upon departure of the officer. Interest of \$45 thousand [2013 – \$35 thousand] was earned on these loans during fiscal 2014. Also included in accounts receivable and other assets are receivables from Clairvest's investee companies totaling \$3.1 million [2013 – \$1.2 million], from CEP totaling \$8 thousand [2013 – \$38 thousand], from CEP III totaling \$2.6 million [2013 – \$1.6 million], from CEP IV totaling \$3.5 million [2013 – \$3.4 million] and from CEP IV-A totaling \$0.5 million [2013 – \$0.5 million].
- [h] During the year ended March 31, 2014, loans totaling \$19.2 million [2013 – nil], bearing interest at the prime rate, were made by the Company to CEP III. During fiscal 2014, \$3.6 million [2013 – nil] of these loans were repaid such that \$15.6 million [2013 – nil] remained outstanding at March 31, 2014. Interest of \$0.1 million [2013 – nil] was earned from loans to CEP III during fiscal 2014.
- [i] At March 31, 2013, the Company had advanced to CEP IV \$4.5 million of loans bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement. During fiscal 2014, additional loans totaling \$63.1 million

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[2013 – \$29.5 million] were made by the Company to CEP IV. Also during fiscal 2014, \$58.9 million [2013 – \$45.6 million] of these loans and loans previously advanced were repaid such that \$8.7 million [2013 – \$4.5 million] remained outstanding at March 31, 2014. Interest of \$0.3 million [2013 – \$1.6 million] was earned from loans to CEP IV during fiscal 2014.

- [j] At March 31, 2013, the Company had advanced to CEP IV-A \$0.7 million of loans bearing interest at the Reference Rate in accordance with CEP IV-A's Limited Partnership Agreement. During fiscal 2014, additional loans totaling \$8.8 million [2013 – \$4.7 million] were made by the Company to CEP IV-A. Also during fiscal 2014, \$8.7 million [2013 – \$6.9 million] of these loans and loans previously advanced were repaid such that \$0.8 million [2013 – \$0.7 million] remained outstanding at March 31, 2014. Interest of \$14 thousand [2013 – \$0.2 million] was earned from loans to CEP IV-A during fiscal 2014.
- [k] During fiscal 2014, Clairvest earned \$10.4 million [2013 – \$19.9 million] in distributions and interest income, \$1.6 million [2013 – \$4.6 million] in dividend income and \$1.7 million [2013 – \$1.4 million] in advisory and other fees from its investee companies.
- [l] During fiscal 2011, Clairvest and a director of Clairvest entered into an agreement to purchase an aircraft for a total cost of \$3.5 million, 50% of which was paid by Clairvest. The aircraft is owned 50% by Clairvest and 50% by a director of Clairvest. At March 31 2014, Clairvest's portion of the net book value of the aircraft of \$1.5 million [2013 – \$1.5 million] is recorded in accounts receivable and other assets. Clairvest receives 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses.

5. NET REALIZED GAINS [LOSSES] ON CORPORATE INVESTMENTS

Net realized gains [losses] on corporate investments for the years ended March 31, 2014 and 2013 are comprised of the following:

	2014	2013
Net realized gains [losses] during the year	\$ [5,111]	\$ 13,612
Previously recognized net unrealized gains [losses]	5,086	[4,603]
	\$ [25]	\$ 9,009

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6. CORPORATE INVESTMENTS

	2014			2013		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Investments alongside CEP						
Grey Eagle Casino	\$ 2,130	\$ 1	\$ 2,129	\$ 2,431	\$ 1	\$ 2,430
Landauer Metropolitan Inc.	—	—	—	25	5,111	[5,086]
N-Brook Mortgage LP	125	2,240	[2,115]	713	3,124	[2,411]
Investments alongside CEP III						
Casino New Brunswick	4,407	9,798	[5,391]	2,448	9,798	[7,350]
Chilean Gaming Holdings ^[a]	29,421	28,754	667	39,486	28,725	10,761
Kubra Data Transfer Limited	22,930	2,150	20,780	12,678	2,150	10,528
Light Tower Rentals Inc.	36,302	8,178	28,124	24,580	8,178	16,402
Lyophilization Services of New England Inc.	8,187	7,451	736	7,573	7,451	122
Participation III Partnership Entitlements ^[b]	[5,467]	—	[5,467]	[4,683]	—	[4,683]
Investments alongside CEP IV						
Centaur Gaming	39,795	14,644	25,151	18,443	14,644	3,799
Cieslok Media Ltd.	4,015	4,015	—	—	—	—
County Waste of Virginia , LLC	7,092	6,706	386	—	—	—
CRS Contractors Rental Supply Limited Partnership	12,504	10,573	1,931	10,573	10,573	—
Discovery Air Inc.	28,074	22,045	6,029	25,521	22,045	3,476
Linen King, LLC	706	2,525	[1,819]	788	2,525	[1,737]
Momentum Avitaion Group [formerly MAG Defense Services]	2,884	2,447	437	1,904	1,915	[11]
New Meadolands Racetrack LLC	6,313	5,580	733	—	—	—
Rivers Casino	21,785	7,508	14,277	20,742	7,413	13,329
Winters Bros. Waste Systems of CT, LLC	8,433	8,053	380			
Participation IV Partnership Entitlements ^[c]	[4,674]	—	[4,674]	[2,494]	—	[2,494]
Wellington Financial Fund III / IV	15,542	13,802	1,740	14,850	12,138	2,712
	240,504	156,470	84,034	175,578	135,791	39,787
Other investments	562	738	[176]	812	911	[99]
	\$241,066	\$157,208	\$ 83,858	\$176,390	\$136,702	\$ 39,688

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

^[b] Fair value attributable to limited partners of Participation III Partnership as described in note 4[c].

^[c] Fair value attributable to limited partners of Participation IV Partnership as described in note 4[f].

The cost and fair value of corporate investments do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as hedges against these investments [note 12[b]]. Details of each investment are described below.

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[a] **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. At March 31, 2014 and 2013, Clairvest holds 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.

During fiscal 2014, Clairvest earned \$0.3 million [2013 – \$0.4 million] in profit distributions from Grey Eagle Casino, bringing total profit distributions earned to March 31, 2014 to \$0.7 million [2013 – \$0.4 million].

[b] **Landauer Metropolitan Inc. ["Landauer"]**

Landauer was a supplier of home medical equipment operating in the northeastern United States.

At March 31, 2013, Clairvest owned 1,906,250 10% cumulative convertible preferred shares and 748,133 common shares of Landauer, representing a 14.2% interest on a fully-diluted basis. Clairvest has also advanced bridge loans totaling US\$0.3 million [C\$0.3 million] and a US\$0.6 million [C\$0.6 million] subordinated secured convertible note to Landauer. The total cost of the investment was US\$3.8 million [\$5.1 million].

During fiscal 2014, Landauer filed for Chapter 11 protection and Clairvest realized its investment in Landauer. Clairvest recognized a \$5.1 million realized loss during the year, all but \$25 thousand of which had previously been recognized as an unrealized loss.

Over the life of the investment, Clairvest recorded total losses of \$3.4 million for its investment in Landauer, comprised of a \$5.1 million realized loss on the investment, net of foreign exchange gains realized on the foreign exchange forward contracts used to hedge this investment of \$1.7 million.

[c] **N-Brook Mortgage LP ["N-Brook"]**

N-Brook originated, adjudicated and underwrote first-ranking mortgages on owner-occupied, residential real estate in Ontario, British Columbia and Alberta. During fiscal 2009, N-Brook management made the decision to wind down its mortgage portfolio.

At March 31, 2014 and 2013, Clairvest had a net \$2.2 million [2013 - \$3.1 million] investment in N-Brook. During fiscal 2014, Clairvest received cash distributions totaling \$0.9 million [2013 – \$1.9 million] from N-Brook, bringing total return of capital to \$2.8 million [2013 - \$1.9 million], or 55.5% [2013 – 38.0%] of the \$5.0 million originally invested. The proceeds received are recorded as a reduction to the carrying value of the investment such that no gain or loss was recorded as a result of the partial realization of Clairvest's investment in N-Brook. Based on the fair value at March 31, 2014, Clairvest is entitled to receive 24.1% [2013 – 24.1%] of any future recoveries from N-Brook.

[d] **Casino New Brunswick**

Casino New Brunswick is a gaming entertainment complex located in Moncton, New Brunswick. At March 31, 2014 and 2013, Clairvest had invested \$9.8 million in Casino New Brunswick. The investment was made in the form of debentures with a stated interest at a rate of 6% per annum and units of a limited partnership which operates Casino New Brunswick, entitling Clairvest to 22.5% of the earnings of the casino until December 31, 2030. Interest was waived between March 1, 2011 and December 31, 2012 and resumed effective January 1, 2013, with 45% of the interest payable in cash and the remaining 55% payable in-kind.

During fiscal 2014, Clairvest recorded \$0.4 million in net interest income, which represents the portion payable in cash.

At March 31, 2013, Clairvest had pledged \$5.4 million to a Schedule 1 Canadian chartered bank which has provided debt financing to Casino New Brunswick. During fiscal 2014, the pledge was no longer required and the restriction on the \$5.4 million was released.

[e] **Chilean Gaming Holdings**

Chilean Gaming Holdings is a limited partnership which has a 50.0% ownership interest in Casino Marina del Sol ["Casino del Sol"] in Concepcion, Chile, and a 48.8% ownership interest in each of Casino Osorno in Osorno, Chile, and Casino Sol Calama in Calama, Chile.

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During fiscal 2014, Clairvest earned dividends totaling \$1.6 million [2013 – \$4.6 million] through its investment in Chilean Gaming Holdings, bringing dividends earned to March 31, 2014 to \$8.0 million [2013 – \$6.4 million].

At March 31, 2014 and 2013, Clairvest owned 30,446,299 limited partnership units of Chilean Gaming Holdings, representing a 36.8% equity interest.

[f] Kubra Data Transfer Limited ["Kubra"]

KUBRA is a business process outsourcing company focused on print and electronic distribution of bills and fulfillment of related payments for high volume clients.

At March 31, 2014 and 2013, Clairvest owned 3,250,000 Class A voting common shares of Kubra, representing an 11.5% interest on a fully diluted basis.

[g] Light Tower Rentals Inc. ["Light Tower Rentals"]

Light Tower Rentals is an oilfield equipment rental company operating in major oil and gas drilling basins in the United States.

At March 31, 2014 and 2013, Clairvest owned 5,841,250 Series A convertible preferred shares and 8,428,387 common shares in Light Tower Rentals, representing a 12.5% [2013 – 12.6%] ownership interest on a fully diluted basis. Each preferred share is convertible into one common share and the conversion is at Clairvest's discretion.

[h] Lyophilization Services of New England Inc. ["LSNE"]

LSNE is a Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. At March 31, 2014 and 2013, Clairvest owned 6,406,000 Series A 10% cumulative preferred shares which are convertible into a 12.3% ownership interest on a fully-diluted basis, 1,250,000 Series B 10% cumulative preferred shares and US\$0.4 million in demand promissory notes with a stated interest rate of 10% per annum. The Series A preferred shares are entitled to dividends only in the event that Clairvest does not convert the preferred shares into common shares. Each Series A preferred share is convertible into one common share and the conversion is at Clairvest's discretion.

At March 31, 2014, Clairvest had advanced short-term working capital loans totaling US\$0.2 million [C\$0.2 million] to LSNE. The loans bear interest at 10.0% per annum and the interest earned has been fully provided for. These loans given their short-term nature have been included in accounts receivable.

[i] 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 ["Indiana Grand"] in Shelbyville, Indiana.

At March 31, 2012, Clairvest held US\$16.4 million in post-petition first lien secured notes, US\$6.2 million in post-petition second lien secured notes and US\$5.1 million in unsecured term loans with stapled warrants which, subject to regulatory approval, are convertible upon exercise into 9.9% of the Class A units of Centaur Gaming. As part of the investment, Clairvest also held a US\$0.3 million [C\$0.3 million] promissory note from an unrelated investment partner [the "Investment Partner"] for this investment.

During fiscal 2013, Centaur Gaming acquired Indiana Grand. Clairvest advanced a US\$7.9 million [C\$8.0 million] promissory note to Centaur Gaming during the acquisition process and invested an additional US\$8.4 million [C\$8.5 million] in the form of an unsecured term loan with stapled warrants in support of this acquisition. The stapled warrants, subject to regulatory approval, are convertible upon exercise into 9.9% of the Class B units of Centaur Gaming. The promissory note which had a stated interest rate of 3.41% per annum was repaid in full upon the completion of the acquisition.

In conjunction with this acquisition, Centaur Gaming completed a financing and repaid in full the post-petition first and second lien secured notes with interest accrued to February 20, 2013. The promissory notes were also repaid in full upon the completion of the financing.

During fiscal 2013, Clairvest received cash proceeds totaling US\$32.3 million, comprised of a US\$16.4 million full repayment on the post-petition first lien secured notes, a US\$6.2 million full repayment on the post-petition second lien

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secured notes, a US\$0.3 million full repayment on the promissory note from the Investment Partner, a US\$7.4 million full repayment on the promissory note advanced to Centaur Gaming during the acquisition process and US\$2.0 million in interest.

At March 31, 2014 and 2013, Clairvest held US\$13.6 million in term loans with stapled warrants which are convertible upon exercise to 9.9% of Class A and Class B units of Centaur Gaming.

As described in note 3, Clairvest also held US\$5.3 million [2013 – \$6.0 million] in new first lien loans and US\$6.0 million [2013 – \$6.0 million] in new second lien loans for its treasury holdings at March 31, 2014.

[j] **Cieslok Media Ltd. ["Cieslok"]**

Cieslok is a Canadian outdoor advertising firm which operates large format digital and static billboards throughout major cities in Canada.

During fiscal 2014, Clairvest invested \$4.0 million to acquire 4,014,989 common shares of Cieslok. At March 31, 2014, Clairvest's ownership interest in Cieslok is 25.1%.

[k] **County Waste of Virginia, LLC ["County Waste"]**

County Waste is a private regional solid waste management company based in West Point, Virginia.

During fiscal 2014, Clairvest invested US\$4.5 million [C\$4.6 million] to acquire 4,539.62 Class B units of County Waste representing a 12.5% ownership interest on a fully diluted basis. Subsequently, Clairvest invested an additional US\$1.9 million [C\$2.1 million] in the form of convertible debentures with a stated interest rate of 10% per annum payable in-kind and compounded on an annual basis. Each \$1,000 in accrued value of the convertible debentures is convertible into 1 Class B unit of County Waste.

[l] **CRS Contractors Rental Supply Limited Partnership ["CRS"]**

CRS is a provider of equipment rental services and related merchandise across Ontario, Canada.

During fiscal 2014, Clairvest earned distributions totaling \$0.5 million [2013 – nil] through its investment in CRS, bringing distributions earned to March 31, 2014 to \$0.5 million [2013 – nil].

As a result of CRS' flow-through status for tax purposes, Clairvest is required to include in its income tax expense calculation its portion of the taxable income generated by CRS. During fiscal 2014, Clairvest incurred income tax obligations totaling \$0.5 million as a result of its investment in CRS.

At March 31, 2014 and 2013, Clairvest owned 10,572,805 limited partnership units of CRS, representing a 13.4% ownership interest. Clairvest has the right to receive proceeds equal to an additional 1.7% economic interest in CRS until Clairvest has received three times its invested capital.

[m] **Discovery Air Inc. ["Discovery Air"]**

Discovery Air is a specialty aviation services company operating across Canada and in select locations internationally.

At March 31, 2014 and 2013, Clairvest had invested \$22.0 million in secured convertible debentures ["Debentures"] of Discovery Air. The Debentures, which have a 5.5-year term from issuance and are subject to certain early redemption rights in favor of Discovery Air, accrue interest at a rate of 10% per annum and interest is paid in kind and compounded on an annual basis. The Debentures and any paid in kind interest are convertible into 2,939,330 common shares of Discovery Air, which, together with the 59,521 Discovery Air shares owned prior to this investment, represents a 10.5% ownership interest in Discovery Air on an "as converted" basis. At March 31, 2014, the conversion price for the Debentures was \$9.55 [2013 – \$8.68] per share and the closing quoted market price of a Discovery Air common share was \$1.01 [2013 – \$2.38] per share.

During fiscal 2014, Clairvest earned \$2.6 million [2013 - \$2.4 million] in interest from its investments in Discovery Air.

Subsequent to year end, Clairvest invested an additional \$4.2 million for 4,943,244 common shares of Discovery Air for a 15.3% ownership interest on a fully diluted basis.

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[n] **Linen King, LLC ["Linen King"]**

Linen King is an Oklahoma-based textile rental company that provides commercial laundry services to the healthcare and hospitality industries.

At March 31, 2014 and 2013, Clairvest owned 2,529,209 Class A units of Linen King, representing a 21.7% ownership interest.

[o] **Momentum Aviation Group ["MAG"]**

MAG is a U.S.-based specialty aviation and intelligence, surveillance and reconnaissance service provider. At March 31, 2013, Clairvest owned 18,737 Class A stock of MAG. The Class A stock have a stated dividend rate of 10% per annum and each Class A stock is convertible into 1.0114 common stock of MAG.

During fiscal 2014, Clairvest invested an additional US\$0.5 million [C\$0.5 million] to acquire 5,085 Class A stock in MAG to support the growth of its operations. At March 31, 2014, Clairvest owned 23,822 Class A stock of MAG, representing a 9.4% ownership interest.

During fiscal 2014, MAG incorporated a Canadian subsidiary ["MAG Canada"] which provides aircraft logistics for goods and crews to both government and commercial customers. In support of MAG Canada, Clairvest advanced working capital loans totaling \$11.0 million, bearing interest at 10.0% per annum compounded daily to MAG Canada, \$7.7 million of these loans were repaid such that \$3.3 million remained outstanding at March 31, 2014 and has been included in loans receivable. The loans were repaid in full subsequent to year end. Interest of \$0.1 million was earned from loans to MAG Canada during fiscal 2014.

[p] **New Meadowlands Racetrack LLC [the "Meadowlands"]**

The Meadowlands operates a standardbred horse racing track located in East Rutherford, New Jersey.

During fiscal 2014, Clairvest fully funded its US\$5.4 million [C\$5.6 million] commitment to invest in the Meadowlands. The investment was made in the form of secured debentures which accrue interest at a rate of 15% per annum, 10% of which is payable quarterly in cash and 5% is accrued quarterly.

During fiscal 2014, Clairvest earned \$0.3 million in cash interest and \$0.1 million in accrued interest on its investment in the Meadowlands secured debentures, all but \$32 thousand has not been paid and accordingly has been included in the fair value of the secured debentures at March 31, 2014.

Clairvest also received warrants which entitle it to invest in equity securities of the Meadowlands subject to certain conditions. The accrued interest on the secured convertible debentures is forfeited in the event Clairvest exercises the warrants.

[q] **Rivers Casino**

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

At March 31, 2012, Clairvest owned 8,926,338 units of Rivers Casino and 5,000 units of a minority investor [the "Minority Investor"] as required by the Illinois legislature, which in aggregate represents a 5.0% ownership on a fully-diluted basis. Clairvest had also advanced US\$1.1 million [C\$1.1 million] in promissory notes to the Minority Investor in support of the completion of the minority fundraising. The promissory notes paid interest at a rate of 24% per annum and had a maturity date of June 24, 2041.

Clairvest earned quarterly distributions and fees as an investor of Rivers Casino.

During fiscal 2013, Clairvest earned \$3.6 million in quarterly distributions and \$0.5 million in quarterly fees from Rivers Casino.

Also during fiscal 2013, Rivers Casino completed a financing and as a result made an additional distribution to its investors. Clairvest received cash proceeds totaling \$9.5 million from this distribution which has been recorded in distributions and interest income. In addition to the distributions received from Rivers Casino, the Minority Investor made a full repayment on the promissory note. Clairvest earned \$0.2 million in interest on the promissory note from the Minority Investor.

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During fiscal 2014, Clairvest earned \$4.4 million in quarterly distributions and \$0.5 million in quarterly fees from Rivers Casino.

As a result of Clairvest's investment in Rivers Casino requiring certain acquisition entities in the United States, Clairvest, through its acquisition entities, incurred U.S. income tax obligations totaling \$1.7 million [2013 - \$0.1 million in recoveries] during fiscal 2014.

Also during fiscal 2014, the equity interest in the Minority Investor was redeemed in exchange for direct ownership in Rivers Casino such that at March 31, 2014 Clairvest owned 9,021,917 units of Rivers Casino, representing a 5.0% ownership interest on a fully-diluted basis.

[r] **Winters Bros. Waste Systems of CT, LLC ["Winters Bros."]**

Winters Bros. is a regional solid waste collection, recycling and disposal company based in Danbury, Connecticut.

During fiscal 2014, Clairvest invested US\$7.6 million [C\$8.1 million] to acquire 76,284.8 Class C units of Winters Bros. At March 31, 2014, Clairvest's ownership interest in Winters Bros. is 13.4%.

[s] **Wellington Financial Fund III / IV**

Wellington Financial Fund III ["Wellington Fund III"] provided debt capital and operating lines to technology, biotechnology, communications and industrial product companies across Canada and the United States. Clairvest, as a limited partner, committed to fund \$25.0 million to Wellington Fund III. Clairvest's commitment represented a 16.7% interest in Wellington Fund III. Clairvest was also entitled to participate in the profits received by the General Partner of Wellington Fund III.

During fiscal 2013, Wellington Financial Fund IV ["Wellington Fund IV"], a successor fund of Wellington Fund III, was raised. As part of the closing of Wellington Fund IV, Clairvest transferred its investment and its unfunded commitment in Wellington Fund III to Wellington Fund IV. Clairvest also increased its commitment by \$0.1 million to \$25.1 million in support of the final closing of Wellington Fund IV. Clairvest received a net return of capital of \$2.1 million as a result of the closings of Wellington Fund IV.

During fiscal 2014, Clairvest funded an additional \$1.7 million [2013 – \$0.6 million] to Wellington Fund IV, bringing total amount funded to \$13.8 million [2013 – \$12.1 million] against the \$25.1 million commitment. At March 31, 2014 and 2013, Clairvest's interest in Wellington Fund IV represented a 12.6% ownership in Wellington Fund IV. Clairvest is also entitled to participate in the profits received by the General Partner of Wellington Fund IV. Subsequent to year end, an additional \$0.5 million was funded to Wellington Fund IV.

7. CREDIT FACILITIES

Clairvest has a \$75.0 million committed credit facility with a maturity date of April 30, 2020. The credit facility bears interest at 11% per annum on drawn amounts and at 1% per annum on undrawn amounts. The amount available under the credit facility at March 31, 2014 and 2013 is \$75.0 million. No amounts were drawn during fiscal 2014 and 2013. Included in accounts receivable and other assets at March 31, 2014 is a capitalized closing fee on this facility totaling \$0.3 million [2013 – \$0.6 million] which is to be amortized on a straight-line basis to April 2015.

The Company also has a \$20.0 million credit facility available, subject to annual renewals, bearing interest at prime plus 0.5% per annum. The prime rate at March 31, 2014 and 2013 was 3.00%. The amount available under the credit facility at March 31, 2014 was \$20.0 million [2013 – \$20.0 million], which is based on debt covenants within the banking arrangement. No amounts were drawn during fiscal 2014 and 2013.

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8. INCOME TAXES

Income tax expense for the years ended March 31, 2014 and 2013 consist of the following:

	2014	2013
Current income tax expense	\$ 1,290	\$ 3,685
Future income tax expense	3,621	2,326
	\$ 4,911	\$ 6,011

A reconciliation of the income tax expense based on the statutory rate in Canada and the effective rate is as follows:

	2014	%	2013	%
Income before income taxes	\$ 35,657		\$ 41,774	
Statutory Canadian income tax rate		26.50		26.50
Statutory Canadian income taxes	9,449	26.50	11,070	26.50
Non-taxable dividends and distributions received	[3,997]	[11.21]	[6,142]	[14.70]
Taxable portion of net investment gains	278	0.78	2,421	5.80
Non-taxable portion of losses on temporary investments	[303]	[0.85]	[1,034]	[2.48]
Non-taxable portion of foreign exchange gains	[1,453]	[4.08]	[454]	[1.09]
Non-deductible portion of other expenses	429	1.20	1,010	2.42
Recovery of prior years' taxes	[937]	[2.63]	[1,663]	[3.98]
Foreign income tax rate differences	1,785	5.01	150	0.36
Other	[340]	[0.95]	653	1.56
	\$ 4,911	13.77	\$ 6,011	14.39

Future tax liabilities relate to temporary differences on corporate and temporary investments, derivative instruments, accounts payable and accrued liabilities and income as follows:

	2014	2013
Temporary differences on corporate and temporary investments	\$ 10,766	\$ 5,459
Temporary differences on derivative instruments	[248]	[413]
Temporary differences on accounts payable and accrued liabilities	[2,837]	[2,138]
Temporary differences on income	231	2,066
Other	2,183	1,500
	\$ 10,095	\$ 6,474

9. 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

10,000,000 non-voting shares

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Issued and outstanding	2014		2013	
	Shares	Amount	Shares	Amount
Common shares, beginning of year	15,124,095	\$ 79,101	15,118,095	\$ 78,438
Issued on exercise of stock options	10,000	213	6,000	104
Prior period adjustment relating to share issuances	—	—	—	559
Common shares, end of year	15,134,095	\$ 79,314	15,124,095	\$ 79,101

During fiscal 2014, the Company filed a normal course issuer bid enabling it to make market purchases of up to 756,705 [2013 – 756,204] of its common shares in the 12-month period commencing March 6, 2014 [2013 – March 6, 2013]. During fiscal 2014, the Company made no purchases or cancellations under its normal course issuer bids. In total, 3,429,895 common shares at a cost of \$35.3 million have been purchased under all previous normal course issuer bids as at March 31, 2014 and 2013. An additional 934,200 common and 2,230,954 non-voting shares have been purchased for cancellation outside of the normal course issuer bid.

15,134,095 [2013 - 15,124,095] common shares were outstanding at March 31, 2014.

The weighted average number of common shares outstanding during fiscal 2014 was 15,131,677 [2013 - 15,123,635]. The weighted average number of fully-diluted shares outstanding during fiscal 2014 was 15,428,236 [2013 - 15,404,526].

The difference between the basic and fully-diluted net income per share computations for 2014 and 2013 consists of the following:

2014			2013			
Net income	Weighted average number of shares	Per share amount	Net income	Weighted average number of shares	Per share amount	
Basic net income per share	\$ 30,746	15,131,677	\$ 2.03	\$ 35,763	15,123,635	\$ 2.36
Effect of dilutive securities stock options		296,559			280,891	
Fully-diluted net income per share	\$ 30,746	15,428,236	\$ 1.99	\$ 35,763	15,404,526	\$ 2.32

Under the Company's stock option plan, 1,123,856 [2013 – 1,173,856] common shares of the Company have been made available for issuance to eligible participants. At March 31, 2014, 565,000 [2013 – 615,000] options were outstanding under the plan, and an additional 558,856 [2013 – 558,856] are available for future grants. Under the plan, options are exercisable for one common share and the exercise price of the option must equal the market price of the underlying share on the day preceding the grant date.

Options granted vest over a period of five years. Once vested, options are exercisable at any time until their expiry 10 years after the grant date.

During fiscal 2014, 50,000 [2013 – 110,000] options were exercised, 10,000 [2013 – 6,000] of which were exercised for shares, increasing share capital by \$0.2 million [2013 – \$0.1 million]. The remaining 40,000 [2013 – 104,000] options were exercised under the cash settlement plan and had no impact on share capital. No options were granted during fiscal 2014 and 2013.

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A summary of the status of the Company's stock option plan as at March 31, 2014 and 2013 and changes during the years then ended are presented below:

	Number of options	Weighted average exercise price per share*
Options outstanding, March 31, 2012	725,000	\$ 9.59
Options exercised	[110,000]	5.00
Options outstanding, March 31, 2013	615,000	10.30
Options exercised	[50,000]	6.94
Options outstanding, March 31, 2014	565,000	\$ 10.60
Options exercisable, March 31, 2014	558,000	\$ 10.58

*Adjusted for special dividends where applicable

The following table summarizes information about stock options outstanding and exercisable at March 31, 2014:

Options outstanding				Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life [yrs]	Weighted average exercise price*	Number exercisable	Weighted average exercise price*
\$8.00 to \$8.99	210,000	1.2	\$ 8.99	210,000	\$ 8.99
\$9.00 to \$9.99	120,000	2.2	9.55	120,000	9.55
\$12.00 to \$12.99	235,000	3.5	12.58	228,000	12.59
	565,000			558,000	

* Adjusted for special dividends where applicable

10. STOCK-BASED COMPENSATION AND OTHER COMPENSATION PLANS

As a result of a cash settlement feature in Clairvest's stock option plan, Clairvest is required to recognize compensation expense based upon the intrinsic value of the outstanding stock options at the consolidated balance sheet dates, and the proportion of their vesting periods that have elapsed. For the year ended March 31, 2014, Clairvest recognized a stock-based compensation expense of \$1.8 million [2013 – \$2.9 million] as a result of options being vested and an increase in the trading price of Clairvest common shares. As at March 31, 2014, \$7.5 million [2013 – \$6.4 million] has been accrued under the Company's stock option plan, and a further \$0.1 million [2013 – \$0.1 million] not accrued as those options have not vested.

As at March 31, 2014, a total of 226,135 [2013 – 232,215] DSUs were held by directors of the Company, the accrual in respect of which was \$5.5 million [2013 – \$5.0 million] and has been included in accounts payable and accrued liabilities. During fiscal 2014, 24,820 [2013 – nil] DSUs were exercised and 18,740 [2013 – 19,795] DSUs were granted. For the year ended March 31, 2014, Clairvest recognized an expense of \$1.2 million [2013 – \$1.2 million] with respect to DSUs.

As at March 31, 2014, 105,000 [2013 – 120,000] Appreciation DSUs were held by directors of the Company, the accrual in respect of which is \$1.2 million [2013 – \$1.0 million] and has been included in accounts payable and accrued liabilities. During fiscal 2014, 15,000 [2013 – nil] Appreciation DSUs were exercised. For the year ended March 31, 2014, Clairvest recognized an expense of \$0.3 million [2013 – \$0.4 million] with respect to Appreciation DSUs.

As at March 31, 2014, a total of 1,149,536 [2013 – 1,238,680] BVARs were held by employees of Clairvest, the accrual in respect of which was \$4.0 million [2013 – \$2.1 million] and has been included in accounts payable and accrued liabilities, and a further \$4.7 million [2013 – \$3.8 million] not accrued as those BVARs have not vested. During fiscal 2014, 126,575 [2013 – 67,000] BVARs were exercised and 88,553 [2013 – nil] BVARs were forfeited. Also during fiscal 2014,

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125,984 [2013 – 348,079] BVARs were granted. For the year ended March 31, 2014, Clairvest recognized an expense of \$2.9 million [2013 – \$1.6 million] with respect to BVARs.

11. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2014	2013
Accounts receivable and other assets	\$ [2,780]	\$ 3,434
Income taxes recoverable	[1,742]	2,749
Accounts payable and accrued liabilities	2,894	2,001
Income taxes payable	[978]	583
	\$ [2,606]	\$ 8,767

Cash and cash equivalents at March 31, 2014 and 2013 are comprised of the following:

	2014	2013
Cash	\$ 2,456	\$ 3,022
Cash equivalents	50,335	111,783
	\$ 52,791	\$ 114,805

12. FINANCIAL INSTRUMENTS

[a] Fair value of financial instruments

Cash, cash equivalents, receivables, payables, temporary investments and corporate investments are being carried at fair value in accordance with the Company's accounting policy as described in note 2 to the consolidated financial statements.

[b] Foreign exchange forward contracts

The Company entered into foreign exchange forward contracts as hedges against the fair value of its foreign-denominated investments unless a specific exemption is approved by the Board of Directors. During fiscal 2014, the Company recorded a \$10.7 million realized loss [2013 – \$1.9 million] on expired foreign exchange forward contracts and a \$1.3 million net unrealized gain [2013 – \$1.4 million net unrealized loss] on unexpired foreign exchange forward contracts, both of which have been recorded in finance and foreign exchange expense in the consolidated statements of income. The Company also recorded a foreign exchange gain of \$9.9 million [2013 – \$3.5 million] on the foreign exchange revaluation of its foreign-denominated investments.

As at March 31, 2014, the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

Foreign exchange forward contracts to sell US\$159.1 million [2013 – to sell US\$91.6 million and buy US\$4.2 million] at an average rate of Canadian \$1.0998 [2013 – \$1.0022] per U.S. dollar through to February 2015. The fair value of these contracts at March 31, 2014 is a loss of \$1.6 million [2013 – \$1.2 million] and has been recognized on the consolidated balance sheets as derivative instruments.

Foreign exchange forward contracts to sell Chilean Pesos ["CLP"] 14.7 billion [2013 – CLP14.7 billion] at an average rate of Canadian \$0.001976 [2013 – \$0.002022] through to June 2014. The fair value of these contracts at March 31, 2014 is a loss of \$0.3 million [2013 – \$1.9 million] and has been recognized on the consolidated balance sheets as derivative instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014 and 2013 [tabular dollar amounts in thousands, except per share information]

13. CONTINGENCIES, COMMITMENTS AND GUARANTEES

- [a] Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is \$54.7 million, \$3.5 million [2013 – \$3.5 million] of which remains outstanding at March 31, 2014. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if it concurrently sells a proportionate number of securities of that corporate investment held by CEP.
- [b] Clairvest has also committed to co-invest alongside CEP III in all investments undertaken by CEP III. Clairvest's total co-investment commitment is \$75.0 million, \$15.2 million [2013 – \$15.2 million] of which remains unfunded at March 31, 2014. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.
- [c] Clairvest has also committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. Clairvest's total co-investment commitment is \$125.0 million, \$46.6 million [2013 – \$73.1 million] of which remains unfunded at March 31, 2014. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.
- [d] Clairvest has also committed \$25.1 million to Wellington Fund IV [2013 – \$25.1 million], \$11.3 million [2013 – \$13.0 million] of which remained unfunded at March 31, 2014.
- [e] At March 31, 2014, Clairvest has received profit distributions totaling \$4.1 million [2013 – \$3.3 million] through its ownership interest in the General Partner of Wellington Fund III and Wellington Fund IV. Subject to clawback provisions, Clairvest may be required to repay up to \$0.8 million [2013 – \$0.4 million] of these distributions in the event the limited partners of Wellington Fund IV do not meet their return threshold as specified in the respective Limited Partnership Agreements. At March 31, 2014 and 2013, there were no accruals made with respect to the clawback.
- [f] Clairvest has guaranteed up to US\$15.0 million of CEP III's obligations to a Schedule 1 Canadian chartered bank under CEP III's foreign exchange forward contracts with the bank.
- [g] Under Clairvest's Incentive Bonus Program [the "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. Amounts are accrued under this Program to the extent that the cash income and investment realizations have occurred and the bonus has become payable. At March 31, 2014, \$0.4 million [2013 – \$0.6 million] has been accrued under the Program. If Clairvest and the CEP Funds were to sell their corporate investments at their current fair values, an additional bonus of \$2.7 million [2013 – \$2.0 million] would be owing to management under this Program. As no such realizations have occurred and the terms of the Program with respect to these corporate investments have not yet been fulfilled, the \$2.7 million [2013 – \$2.0 million] has not been accrued at March 31, 2014. The Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest and CEP IV Co-Invest.
- [h] Clairvest, together with CEP III, has guaranteed to fund any cash flow or debt service shortfalls of Casino New Brunswick for a specified period of time. The amount of the guarantee is allocated 75% to CEP III, to the extent that the amounts paid thereunder are within the limits of the CEP III Limited Partnership Agreement, with the remainder being allocated to Clairvest. Any amounts paid under the guarantee will result in additional debentures being granted to Clairvest and CEP III, allocated on the same basis as the participation between Clairvest and CEP III in the guarantee funding. As at March 31, 2014, no amounts subject to this guarantee have been funded.
- [i] An acquisition entity of Chilean Gaming Holdings and other investors of Casino Sol Calama have entered into a joint and several guarantee to fund any operating deficiencies upon the opening of Casino Sol Calama for a specified period of time. Latin Gaming Chile, Casino Sol Calama's operator, has indemnified this acquisition entity with respect to this guarantee. As at March 31, 2014, no amounts subject to this guarantee have been funded.
- [j] As part of the holding structure of Chilean Gaming Holdings, Clairvest, together with CEP III and other co-investors, had loans totaling \$42.0 million at March 31, 2014 through various acquisition entities from an unrelated financial institution, while another acquisition entity held term deposits totaling \$42.0 million at March 31, 2014 with the same

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014 and 2013 [tabular dollar amounts in thousands, except per share information]

financial institution as security for these loans. Clairvest intends to settle the loans, the deposits and related interest accruals simultaneously upon the divestiture of the investments in Chilean Gaming Holdings, and as a result, the deposits and the loans, and the interest revenue and expense have been presented on a net basis. Clairvest's ownership of both acquisition entities was 36.8% at March 31, 2014, with CEP III owning 37.7% and the remainder owned by the other co-investors.

- [k] During fiscal 2014, Clairvest received a \$2.2 million distribution from a Receiver in respect of assets previously frozen by the Court and now ordered by the Court to be paid to Clairvest which brings the total recovery against the \$10 million loan advanced in two tranches of \$5.0 million in each of December 2005 and May 2006 to \$10.0 million [2013 – \$7.8 million], without consideration of the cost incurred in the recovery process. The loan was written off and Clairvest recorded a realized loss in its financial statements for the year ended March 31, 2007. Clairvest continues to seek additional recoveries against certain parties. Subsequent to year end, Clairvest received an additional \$0.5 million in proceeds on its recovery efforts.
- [l] 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.

14. RISK MANAGEMENT

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

Credit risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the years ended March 31, 2014 and 2013, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure at March 31, 2014 and 2013, net of any allowances for losses, were as follows:

	2014	2013
Financial assets		
Cash and cash equivalents	\$ 52,791	\$ 114,805
Temporary investments	62,995	59,708
Restricted cash and temporary investments	—	5,425
Accounts receivable	12,056	8,873
Loans receivable	33,503	5,365
Corporate investments	241,066	176,390
	\$ 402,411	\$ 370,566
Financial liabilities		
Accounts payable	\$ 130	\$ 133
Derivative instruments	1,873	3,115
	\$ 2,003	\$ 3,248

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014 and 2013 [tabular dollar amounts in thousands, except per share information]

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

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

The Company manages credit risk on cash, cash equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly. As at March 31, 2014 and 2013, the credit ratings, based on the Dominion Bond Rating Services ["DBRS"] rating scale, with the exception of bonds rated below A which are based on Standard and Poor's ["S&P"] rating scale, for the Company's cash, cash equivalents and temporary investments were as follows:

	2014	2013
Cash and term deposits	\$ 2,456	\$ 3,022
Money market savings accounts		
R1-High	7,849	93,463
Guaranteed investment certificates, investment savings accounts and mutual fund deposits, including restricted temporary investments		
AA	79,730	59,844
AA-	7,850	152
A+	5,359	5,052
A	—	3,032
Corporate bonds and loans		
AA-	—	2,552
A+	—	508
BB-	5,854 ^[1]	6,117 ^[1]
CCC+	6,688 ^[1]	6,196 ^[1]
Total cash, cash equivalents, temporary investments and restricted temporary investments	\$ 115,786	\$ 179,938

[1] Pertains to Clairvest's treasury investment in Centaur Gaming as described in notes 3 and 6[i].

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014 and 2013 [tabular dollar amounts in thousands, except per share information]

Market risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates. The following table presents the financial instruments measured at fair value classified by the fair value hierarchy set out in CICA Handbook Section 3862:

at in CRA Handbook section 5502.

2014				
Fair value measurements using				Assets / liabilities at fair value
Level 1	Level 2	Level 3		
Financial assets				
Cash equivalents				
Money market savings accounts	\$ 7,849	\$ —	\$ —	\$ 7,849
Investment savings accounts	42,311	—	—	42,311
Mutual fund deposits	175	—	—	175
	50,335	—	—	50,335
Temporary investments				
Guaranteed investment certificates	—	50,453	—	50,453
Corporate bonds and loans	—	12,542	—	12,542
	—	62,995	—	62,995
Accounts receivable	—	—	12,056	12,056
Loans receivable	—	—	33,503	33,503
Corporate investments	55	—	241,011	241,066
	\$ 50,390	\$ 62,995	\$ 286,570	\$ 399,955
Financial liabilities				
Accounts payable and accrued liabilities	\$ —	\$ —	\$ 130	\$ 130
Derivative instruments	—	1,873	—	1,873
	\$ —	\$ 1,873	\$ 130	\$ 2,003

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014 and 2013 [tabular dollar amounts in thousands, except per share information]

2013				
Fair value measurements using				Assets / liabilities at fair value
Level 1		Level 2	Level 3	
Financial assets				
Cash equivalents				
Money market savings accounts	\$ 93,463	\$ —	\$ —	\$ 93,463
Investment savings accounts	18,240	—	—	18,240
Term deposits	80	—	—	80
	111,783	—	—	111,783
Temporary investments				
Guaranteed investment certificates	—	44,335	—	44,335
Corporate bonds and loans	3,061	12,312	—	15,373
	3,061	56,647	—	59,708
Restricted temporary investments				
	—	5,425	—	5,425
Accounts receivable	—	—	8,873	8,873
Loans receivable				
	—	—	5,365	5,365
Corporate investments	126	—	176,264	176,390
	\$ 114,970	\$ 62,072	\$ 190,502	\$ 367,544
Financial liabilities				
Accounts payable and accrued liabilities				
	\$ —	\$ —	\$ 133	\$ 133
Derivative instruments				
	—	3,115	—	3,115
	\$ —	\$ 3,115	\$ 133	\$ 3,248

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014 and 2013 [tabular dollar amounts in thousands, except per share information]

The following table presents the changes in fair value measurements for instruments included in Level 3 of the fair value hierarchy set out in CICA Handbook Section 3862:

	Fair value April 1, 2013	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, 2014	Unrealized gains and foreign exchange revaluations included in earnings for assets and liabilities for the year ended March 31, 2014 for positions still held
Financial assets						
Accounts receivable	\$ 8,873	\$ —	\$ 30,185	\$ [27,002]	\$ 12,056	\$ —
Loans receivable	5,365	—	107,048	[78,910]	33,503	—
Corporate investments	176,264	39,080	26,551	[884]	241,011	39,080
	190,502	39,080	163,784	[106,796]	286,570	39,080
Financial liabilities						
Accounts payable	133	—	1,443	[1,446]	130	—
	\$ 133	\$ —	\$ 1,443	\$ [1,446]	\$ 130	\$ —

	Fair value April 1, 2012	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, 2013	Unrealized gains and foreign exchange revaluations included in earnings for assets and liabilities for the year ended March 31, 2013 for positions still held
Financial assets						
Accounts receivable	\$ 11,946	\$ —	\$ 71,304	\$ [74,377]	\$ 8,873	\$ —
Loans receivable	23,740	—	34,168	[52,543]	5,365	—
Corporate investments	177,205	10,555	29,701	[41,197]	176,264	10,555
	212,891	10,555	135,173	[168,117]	190,502	10,555
Financial liabilities						
Accounts payable	377	—	1,908	[2,152]	133	—
	\$ 377	\$ —	\$ 1,908	\$ [2,152]	\$ 133	\$ —

Fluctuations in market interest rates affect the Company's income derived from cash, cash equivalents, and temporary investments. For financial instruments which yield a floating interest income, the interest received is directly impacted by the prevailing market interest rate. The fair value of financial instruments which yield a fixed interest income would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on cash, cash

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014 and 2013 [tabular dollar amounts in thousands, except per share information]

equivalents and temporary investments by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1% per annum, the potential effect would be an increase or decrease of \$0.8 million [2013 – \$0.7 million] to distributions and interest income on a pre-tax basis for the year ended March 31, 2014.

Included in corporate investments are investments for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings used for each individual investment. 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 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. Investments which are valued using the earnings multiple approach include Casino New Brunswick, Centaur Gaming, Chilean Gaming Holdings, CRS, Kubra, Light Tower Rentals, Linen King, MAG and Rivers Casino. If the Company had used an earnings multiple for each investment that was higher or lower by 0.5 times, the potential effect would be an increase of \$22.4 million or decrease of \$21.8 million [2013 – increase of \$19.3 million or decrease of \$19.4 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, 2014. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

The Company's corporate investment portfolio is diversified across 17 core companies in 9 industries and 3 countries as at March 31, 2014. Concentration risk by industry and by country is as follows:

2014					2013			
Canada	United States	Chile	Fair value	Canada	United States	Chile	Fair value	
Business services	\$ —	\$ 22,930	\$ —	\$ 22,930	\$ —	\$ 12,678	\$ —	\$ 12,678
Contract manufacturing	—	8,187	—	8,187	—	7,573	—	7,573
Equipment rental	12,504	36,302	—	48,806	10,573	24,580	—	35,153
Financial services	15,679	—	—	15,679	15,583	—	—	15,583
Gaming	6,537	67,893	29,421	103,851	4,879	39,185	39,486	83,550
Health and medical elated	—	—	—	—	—	25	—	25
Outdoor advertising	4,015	—	—	4,015	—	—	—	—
Specialty Aviation	28,074	2,884	—	30,958	25,521	1,904	—	27,425
Textile rental service	—	706	—	706	—	788	—	788
Waste management	—	15,525	—	15,525				
Other	[9,591]	—	—	[9,591]	[6,385]	—	—	[6,385]
Total	\$ 57,218	\$ 154,427	\$ 29,421	\$ 241,066	\$ 50,171	\$ 86,733	\$ 39,486	\$ 176,390

The Company has considered current economic events and indicators in the valuation of its corporate investments.

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. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest hedges 100% of the fair value of its foreign investments unless a specific exemption is approved by the Board of Directors.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact to the profitability of these entities and in turn the Company's fair value of these

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014 and 2013 [tabular dollar amounts in thousands, except per share information]

corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Note 13 describes the Company's contingencies, commitments and guarantees.

The Company maintains a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its cash equivalents and temporary investments in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

15. CAPITAL DISCLOSURES

Clairvest considers the capital it manages to be the amounts it has in cash, cash equivalents, temporary investments and corporate investments. Clairvest also manages 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 such that funds are available to pursue new acquisitions and growth opportunities as well as to support its operations and the growth of its existing corporate investments;
- Achieve an appropriate risk-adjusted return on capital;
- Build the long-term value of its corporate investments; and
- Have appropriate levels of committed third-party capital available to invest along with Clairvest's capital. The management of third-party capital also provides management fees and/or priority distributions to Clairvest and the ability to enhance Clairvest's returns by earning a carried interest.

At March 31, 2014, Clairvest had non-restricted cash, cash equivalents and temporary investments of \$115.8 million [2013 – \$174.5 million] and access to \$95.0 million [2013 – \$95.0 million] through its credit facilities to support its current and anticipated corporate investments. Clairvest also had \$192.1 million [2013 – \$261.1 million] of uncalled committed third-party capital through the CEP Funds at March 31, 2014 to invest along with Clairvest's capital.

At March 31, 2014 and 2013, Clairvest had no external capital requirements, other than as disclosed in note 13.

16. SUBSEQUENT EVENTS

Subsequent to year end, Clairvest completed the first closing of its new private equity investment pool which is comprised of a co-investment commitment from Clairvest and a new limited partnership, CEP V. The amount of the first closing was \$518 million, \$180 million of which was committed by Clairvest. Subsequent to the first closing CEP V closed on an additional \$15 million of third party capital bringing total capital committed to CEP V to \$533 million. Clairvest has the right to increase its commitment to \$200 million prior to the end of the fundraising period.

Subsequent to year end, the Company funded US\$0.6 million [C\$0.7 million] to acquire a 13.4% ownership of an entity which owns land and is pursuing a gaming opportunity in the United States. The Company also advanced US\$0.6 million [C\$0.7 million] to a partner of this entity and US\$3.3 million [C\$3.5 million] to CEP IV and CEP IV-A. The aggregate amount of US\$4.5 million [C\$4.9 million] was recorded in loans receivable at March 31, 2014 as the funds were held in escrow pending the execution of certain agreements.

17. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2014 consolidated financial statements.

SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2014

SHAREHOLDER COMMUNICATION

Clairvest has both the obligation and desire to provide its shareholders with full and continuous disclosure, on a timely basis, throughout the fiscal year. Annual and quarterly reports are provided as part of this process and the company releases information on material events through the press, as required. Further disclosure can be found on the company's website, www.clairvest.com.

VALUATION MEASURES

Clairvest's focus is on building the long-term value of its investments. Fair value accounting allows Clairvest to reflect changes in the value of our investments. The fair value method, however, is not without limitations. Clairvest's investments are often carried at values which may vary from the actual realizations.

OUTSTANDING SECURITIES

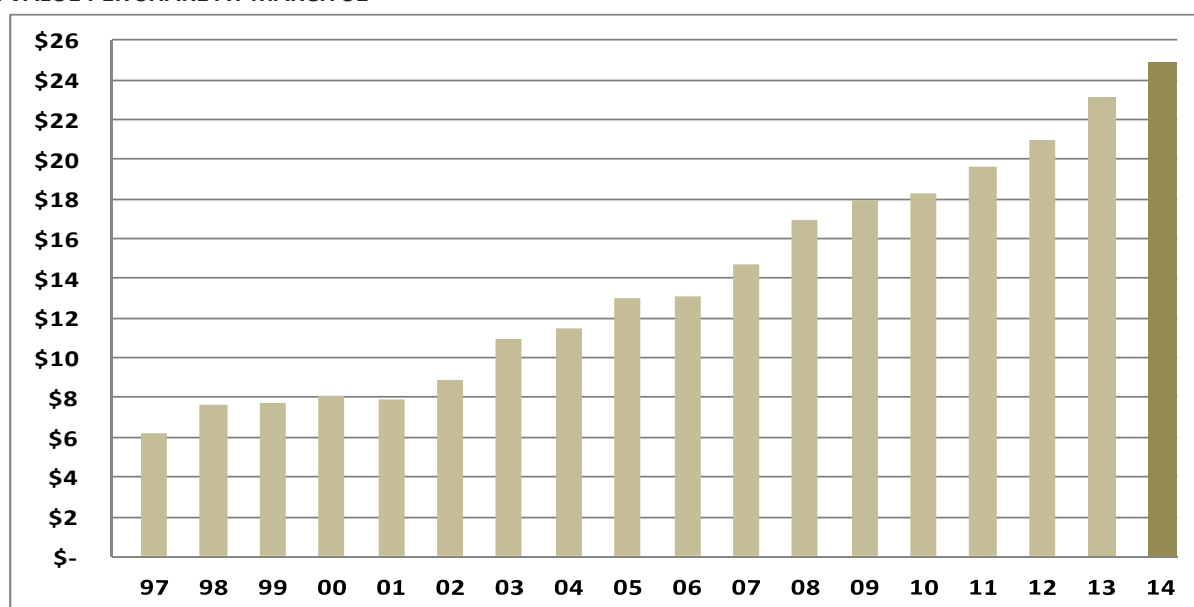
Share structure	Common Shares ^[3]	
Common shares outstanding		15,134,095
Less holders of 10% or more		9,855,222
Public float ^[1,2]		5,278,873
Market capitalization ^[1]	\$	361,704,871
Market value of public float ^[1,2]	\$	126,165,065
Stock market	Toronto Stock Exchange	
Stock symbol	CVG	

[1] As at April 21, 2014. [2] Excludes holders of 10% or more of the outstanding common shares. [3] During the year, Clairvest filed a new Normal Course Issuer Bid.

DIVIDEND INFORMATION

Clairvest has consistently paid a dividend over the last twenty-three years. Over the last twenty-one years the annual ordinary dividend has been \$0.10 per common share. It is Clairvest's current intention to continue to pay an annual ordinary dividend.

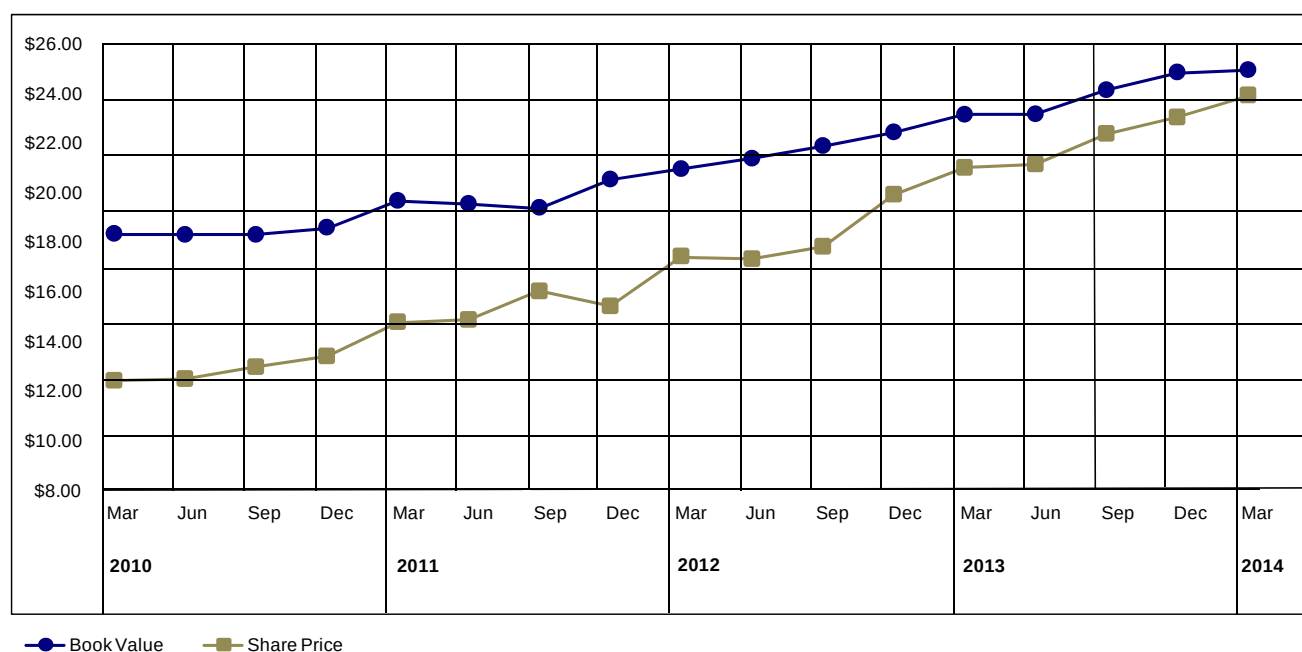
BOOK VALUE PER SHARE AT MARCH 31



SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2014

SHARE PRICE VS BOOK VALUE PER SHARE



SHARE TRADING VOLUME FISCAL 2014

Common shares	High	Low	Close	Volume
Year to March 31, 2014				
First Quarter	22.95	20.98	21.02	46,700
Second Quarter	22.74	20.83	22.35	77,700
Third Quarter	23.11	21.70	23.01	64,400
Fourth Quarter	23.95	23.01	23.90	94,300
Year to March 31, 2013				
First Quarter	18.06	17.01	17.30	13,563
Second Quarter	18.00	17.30	17.80	19,090
Third Quarter	19.98	17.70	19.90	68,439
Fourth Quarter	23.50	19.90	20.98	12,043

SHAREHOLDER INQUIRIES

Maria Klyuev, Director, Investor Relations & Marketing

tel: 416.925.9270

fax: 416.925.5753

email: mariak@clairvest.com

TRANSFER AGENT AND REGISTRAR

Investors are encouraged to contact
CST Trust Company
for information regarding their security holdings.

Information can be obtained at:

P.O. Box 4202, Station A

Toronto, Ontario, M5W 0E4

Answerline: 1.800.387.0825

Web: www.canstockta.com

Email: inquiries@canstockta.com

CORPORATE INFORMATION

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Tel: 416.925.9270 Fax: 416.925.5753

Web: www.clairvest.com

AUDITORS

Ernst & Young LLP

THE ANNUAL MEETING OF SHAREHOLDERS

August 12, 2014

St. Andrews Club & Conference Centre,

150 King Street West, 27th Floor

Toronto, Ontario Canada

All Shareholders are encouraged to attend.