Consolidated Financial Statements of

CROWN CAPITAL PARTNERS INC.

Years ended December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Crown Capital Partners Inc.

Opinion

We have audited the consolidated financial statements of Crown Capital Partners Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Identification of performance obligations in contractual network services revenue

Description of the matter

We draw attention to notes 2(d)(i) and 3(e)(v) to the consolidated financial statements. The Entity has recognized network services revenues of $27,643 thousand which consist of professional services, hardware sales and contractual network services revenues. Contractual network services revenues include: (i) non-recurring revenues related to the upfront installation of network elements and (ii) monthly recurring revenues relating to the ongoing operation of network services. There is significant judgment in identification of the performance obligation within network services contracts that have multiple products and services.

Why the matter is a key audit matter

We determined the identification of performance obligations in relation to the Entity's contractual network services revenues as a key audit matter. This matter represented an area of significant auditor attention given the magnitude of the Entity's network services revenues and significant judgment involved.

How the matter was addressed in the audit

For a selection of customer contracts, we examined the key terms in the contracts and evaluated whether the performance obligations have been appropriately identified in accordance with the Entity's revenue recognition policies and relevant accounting standard.

Assessment of control over Crown Partners Fund

Description of the matter

We draw attention to Notes 2(d)(x) and 5 to the consolidated financial statements. The Entity determined that it ceased control over Crown Partners Fund as at July 13, 2021 based on its change in ownership and the consolidation of its financial performance was discontinued with the Entity's retained interest in Crown Partners Fund subsequently recognized as an investment in associate accounted for using the equity method. The Entity uses significant judgment to determine loss of control based on the assignment of its investment management contacts and its impact to assess control over Crown Partners Fund.

Why the matter is a key audit matter

We identified the assessment of control over Crown Partners Fund as a key audit matter. This matter represented a significant unusual transaction and required significant auditor judgment to assess the evaluation of control.

How the matter was addressed in the audit

We evaluated the Entity's application of relevant accounting standards related to the determination of loss of control over Crown Partners Fund and if the Entity has significant influence effective July 13, 2021.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Gurdev Singh Narula.

Toronto, Canada

March 10, 2022

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

As at		December 31, 2021		December 31, 2020
Assets				
Current assets:				
Cash and cash equivalents	$	10,842	$	19,150
Accounts receivable		6,056		8,460
Income taxes recoverable		-		2,970
Prepaid expenses and deposits		1,721		735
Inventory		1,552		811
Lease earn-out note receivable (Notes 4 and 15)		4,603		-
Current portion of investments (Note 4)		1,750		3,163
Current portion of net investment in leased distributed power equipment (Note 4)		578		510
		27,102		35,799
Non-current assets:				
Investments (Note 4)		2,601		242,900
Investment in Crown Partners Fund (Note 5)		47,369		-
Network services contracts (Note 19)		4,963		6,186
Credit reporting customer contracts (Note 15)		903		-
Property and equipment (Note 18)		14,279		15,951
Net investment in leased distributed power equipment (Note 4)		8,986		8,656
Property and equipment under development and related deposits (Notes 15, 16 and 20)		33,619		16,038
Goodwill (Note 15)		293		293
Total Assets	**$**	**140,115**	**$**	**325,823**
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	7,081	$	6,118
Distributions payable to non-controlling interests		-		2,385
Income taxes payable		525		-
Vendor Promissory Notes payable (Note 4)		-		581
Mortgages payable (Notes 4, 15 and 16)		12,450		-
Current portion of deferred revenue		1,059		302
Current portion of contingent consideration (Note 4)		1,600		2,140
Current portion of Network Services Vendor Note payable (Note 4)		612		663
Current portion of lease obligations		1,282		1,671
Current portion of credit facilities (Note 9)		-		28,951
		24,609		42,811
Non-current liabilities:				
Deferred revenue		1,231		1,089
Network Services Vendor Note payable (Note 4)		-		658
Contingent consideration (Note 4)		-		1,780
Lease obligations		644		1,609
Deferred compensation (Note 8)		1,063		633
Provision for performance bonus (Note 11)		4,597		3,239
Credit facilities (Note 9)		(334)		33,960
Convertible debentures - liability component (Note 10)		19,334		18,932
Deferred income taxes (Note 22)		1,100		432
Non-controlling interests (Note 13)		18,796		139,506
Total Liabilities		71,040		244,649
Equity				
Share capital (Note 7)		60,693		77,470
Convertible debentures - equity component (Note 10)		483		483
Contributed surplus		15,180		15,716
Deficit		(7,281)		(12,495)
Total Equity		69,075		81,174
	$	**140,115**	**$**	**325,823**

Commitments and contingencies (Note 21)
Subsequent events (Note 23)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

signed "Alan Rowe"	Chairman	signed "Chris Johnson"	Director
Alan Rowe		Chris Johnson	

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Comprehensive Income (Loss)

(expressed in thousands of Canadian dollars, except earnings per share and weighted average number of shares)

For the years ended December 31,		Year Ended December 31, 2021		Year Ended December 31, 2020
Revenues				
Network services revenue	$	27,643	$	12,116
Interest revenue		13,248		27,711
Share of earnings of Crown Partners Fund (Note 5)		4,728		-
Fees and other income		2,013		1,811
Net (loss) gain on investments				
Net realized gain from investments		86		594
Net change in unrealized (loss) gain of investments		(322)		2,592
		47,396		44,824
Expenses				
Salaries and benefits		8,383		5,393
Share-based compensation (Note 8)		803		838
Performance bonus expense		1,358		1,143
General and administration		3,494		3,632
Cost of network services revenue		12,986		5,790
Depreciation		3,880		5,613
Provision for bad debt		93		-
Provision for credit losses		2,299		15,754
Finance costs (Notes 9 and 10)		4,075		6,352
Impairment of property and equipment (Note 18)		658		904
Impairment of network services contracts (Note 19)		-		1,095
Impairment of distributed power equipment under development and related deposits (Note 20)		-		1,057
		38,029		47,571
Income (loss) before other adjustments and income taxes		9,367		(2,747)
Gain on acquisition (Note 15)		73		-
Gain on derecognition of subsidiary (Note 5)		1,588		-
Remeasurement of financial instruments (Notes 4(g), 4(j) and 15(b)(iii))		(2,539)		-
Non-controlling interests (Note 13)		(6,108)		(13,498)
Income (loss) before income taxes		2,381		(16,245)
Income taxes (Note 22)				
Current tax expense (recovery)		458		(2,536)
Deferred tax (recovery)		(87)		(305)
		371		(2,841)
Net income (loss) and comprehensive income (loss)	$	2,010	$	(13,404)
Earnings (loss) per share attributable to shareholders				
Basic	$	0.23	$	(1.44)
Diluted	$	0.23	$	(1.44)
Weighted average number of shares, basic		8,735,781		9,309,772
Weighted average number of shares, diluted		8,735,781		9,368,046

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(expressed in thousands of Canadian dollars, except number of shares)

	Number of shares	Share capital	Convertible debentures - equity component	Contributed surplus	Retained earnings (deficit)	Total Equity
Balance as at January 1, 2020	9,393,242	$ 95,342	$ 483	$ 1,087	$ 566	$ 97,478
Net loss and comprehensive loss attributable to shareholders of the Corporation	-	-	-	-	(13,404)	(13,404)
Share-based compensation (Note 8)	-	-	-	193	-	193
Cash-settled share-based compensation (Note 8)	-	-	-	(180)	43	(137)
Issuance of common shares (Note 7)	39,024	384	-	(384)	-	-
Shares repurchased (Note 7)	(375,798)	(3,256)	-	-	1,714	(1,542)
Dividends declared (Note 7)	-	-	-	-	(1,414)	(1,414)
Reduction of share capital (Note 7)	-	(15,000)	-	15,000	-	-
Balance as at December 31, 2020	9,056,468	$ 77,470	$ 483	$ 15,716	$ (12,495)	$ 81,174
Net income and comprehensive income attributable to shareholders of the Corporation	-	-	-	-	2,010	2,010
Share-based compensation (Note 8)	-	-	-	(254)	-	(254)
Cash-settled share-based compensation (Note 8)	-	-	-	(98)	47	(51)
Issuance of common shares (Note 7)	18,951	184	-	(184)	-	-
Shares repurchased (Note 7)	(1,982,317)	(16,961)	-	-	3,157	(13,804)
Balance as at December 31, 2021	7,093,102	$ 60,693	$ 483	$ 15,180	$ (7,281)	$ 69,075

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Cash Flows

(expressed in thousands of Canadian dollars)

For the years ended December 31,	**2021**	**2020**
Cash provided by (used in) operating activities		
Net income (loss)	$ 2,010	$ (13,404)
Non-controlling interests (Note 13)	6,108	13,498
Adjustments for:		
Net realized gain from investments	(86)	(594)
Net change in unrealized loss (gain) in fair value of investments	322	(2,592)
Gain on derecognition of subsidiary (Note 5)	(1,588)	-
Share of earnings of Crown Partners Fund (Note 5)	(4,728)	-
Income distributions received from Crown Partners Fund	3,078	-
Finance fees received on loans carried at amortized cost, net of non-cash finance fees	-	828
Interest income	(13,248)	(27,711)
Interest income received in the period	11,356	21,004
Provision for expected credit loss	2,299	15,754
Non-cash finance costs (Note 10)	758	946
Depreciation	3,880	5,613
Current income tax expense (recovery)	458	(2,536)
Income taxes paid, net of refunds received	3,036	(207)
Deferred income tax (recovery)	(87)	(305)
Share-based compensation, net of cash settlements	(421)	701
Provision for performance bonus	1,358	1,143
Provision for bad debt	93	-
Impairment of property and equipment (Note 18)	658	904
Impairment of distributed power equipment under development and related deposits (Note 20)	-	1,057
Impairment of network services contracts (Note 19)	-	1,095
Remeasurement of financial instruments (Notes 4(g), 4(j) and 15(b)(iii))	2,539	-
Gain on acquisition (Note 15)	(73)	-
Net change in non-cash working capital (Note 14)	(320)	(2,143)
	17,402	13,051
Cash provided by (used in) investing activities		
Proceeds from repayment of debt securities	10,732	43,510
Proceeds from sale of equity securities	1,927	521
Addition of investments	(2,521)	(41,669)
Sale of Crown Partners Fund LP units to non-controlling interests	20,697	-
Return of capital distributions received from Crown Partners Fund	16,117	-
Purchase of property and equipment	(1,196)	(2,674)
Acquisition of subsidiaries, net of cash acquired (Note 15)	(288)	(504)
Lease payments received on distributed power equipment	502	46
Proceeds from sale of, net of additions to, property and equipment under development and related deposits	2,736	(14,931)
	48,706	(15,701)

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Cash Flows (continued)

(expressed in thousands of Canadian dollars)

For the years ended December 31,	**2021**	**2020**
Cash provided by (used in) financing activities		
Non-controlling interests contributions to Crown Partners Fund (Note 13)	$ -	$ 11,880
Non-controlling interests contributions to Crown Power Fund (Note 13)	-	11,084
Distributions paid by Crown Partners Fund to non-controlling interests	(4,764)	(19,994)
Distributions paid by Crown Power Fund to non-controlling interests	(5,630)	-
Repayment of Crown Partners Fund Promissory Notes	-	(8,512)
Payments of lease obligations	(1,354)	(1,499)
Repayment of Vendor Promissory Notes payable (Note 4)	(581)	-
Repayment of Galaxy debt assumed on acquisition (Note 15)	-	(370)
Repayment of Network Services Vendor Note payable (Note 4)	(709)	(123)
Credit facility repayments, net of advances (Note 9)	(38,900)	24,100
Shares repurchased (Note 7)	(13,804)	(1,542)
Dividends (Note 7)	-	(1,414)
Deferred financing costs (Note 9)	(485)	(171)
	(66,227)	13,439
Increase (decrease) in cash and cash equivalents	(119)	10,789
Cash and cash equivalents, beginning of period	19,150	8,361
Derecognition of cash and cash equivalents of subsidiary (Note 5)	(8,189)	-
Cash and cash equivalents, end of period	$ 10,842	$ 19,150
Supplemental cash flow information:		
Interest paid in the period	$ 3,306	$ 5,359

See accompanying notes to consolidated financial statements.

1. Reporting entity:

Crown Capital Partners Inc. (the "Corporation") was incorporated under the Canada Business Corporations Act on September 8, 1999 and commenced operations effective October 1, 2000. The Corporation makes strategic investments, provides investment management services and co-invests in certain of its managed funds. The Corporation's registered office is 700 2nd Street S.W., Suite 19-131, Calgary, Alberta. These consolidated financial statements as at and for the years ended December 31, 2021 and 2020 comprise the Corporation and its subsidiaries, which include:

- A 100% interest (December 31, 2020 – 100%) in Crown Capital Funding Corporation ("CCFC");
- Through CCFC, a 100% interest (December 31, 2020 – 100%) in Crown Capital Private Credit Fund, LP ("Crown Private Credit Fund");
- A 100% interest (December 31, 2020 – 100%) in Crown Capital Private Credit Management Inc. ("CCPC MI"), the general partner of Crown Private Credit Fund;
- A 100% interest (December 31, 2020 – 100%) in Crown Capital LP Partner Funding Inc. ("CCPF MI"), the general partner of Crown Capital Partner Funding, LP ("Crown Partners Fund") and Crown Capital Fund IV Investment, LP ("CCF IV Investment");
- A 100% interest (December 31, 2020 – 100%) in Crown Capital Fund III Management Inc. ("CCF III"), the general partner and manager of Norrep Credit Opportunities Fund, LP ("NCOF LP");
- A 100% interest (December 31, 2020 – 100%) in 10824356 Canada Inc. ("Crown Power Fund GP"), the general partner of Crown Capital Power Limited Partnership ("Crown Power Fund");
- Through CCFC, an interest of 43.2% (December 31, 2020 – 43.2%) in Crown Power Fund;
- A 100% interest (December 31, 2020 – 100%) in WireIE Holdings International Inc., WireIE (Canada) Inc. and WireIE (Development) Inc. (hereinafter collectively referred to as "WireIE");
- An effective interest of 85.8% (December 31, 2020 – 85.8%) in Onsite Power Partners Ltd. ("Onsite Power"), including a direct 75% interest in addition to a 25% interest held through Crown Power Fund;
- Effective September 10, 2020, a 100% interest in WireIE Inc. ("WireIE Inc.");
- Effective September 15, 2020, a 100% interest in Galaxy Broadband Communications Inc. ("Galaxy");
- Effective September 28, 2020, a 100% interest in PenEquity Development GP Inc., the general partner of PenEquity Development Limited Partnership ("PDLP");
- Effective September 30, 2020, through Crown Private Credit Fund, a 100% interest in PDLP;
- Effective March 1, 2021, through PDLP, a 100% interest in PRC Stoney Creek Corp. ("PSCC");
- Effective April 15, 2021, through PDLP, a 100% interest in PRC Barrie Corp. ("PBC");
- Effective May 6, 2021, through Crown Private Credit Fund, a 100% interest in Lumbermens Credit Group Ltd. ("Lumbermens");

1. Reporting entity (continued):

- Effective July 13, 2021, an effective interest of 28.0% in Crown Partners Fund as an investment in associate (see Note 5). Prior to July 13, 2021, through CCFC, an effective interest of 36.5% (January 1, 2020 to March 30, 2021 – 38.8%, March 31, 2021 to July 12, 2021 – 36.5%) in Crown Partners Fund as a subsidiary; and
- Effective July 13, 2021, a 12.5% interest in Crown Private Credit Partners Inc. ("CPCP") as an investment carried at fair value through profit or loss ("FVTPL") (see Note 4). Prior to July 13, 2021, a 100% interest from April 8, 2021 to July 12, 2021 as a subsidiary.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issue by the Corporation's Board of Directors on March 10, 2022.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, other than investments and certain share-based awards carried at FVTPL.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in accordance with the financial reporting framework requires management to make judgments, estimates and assumptions that affect the application of the Corporation's accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities at the reporting date. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgments, assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

(i) Note 3(e)(v) – identification and timing of satisfaction of performance obligations in relation to the Corporation's network services revenues;

(ii) Note 3(g)(i) – lease identification and the estimated discount rate used in respect of network co-location arrangements;

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued):

(iii) Notes 3(g)(i) and 18 – estimated useful lives and recoverability of network services equipment and estimated allocation of capitalized labour;

(iv) Notes 3(g)(iii)-(iv), 3(h) and 20 – recoverability of costs capitalized in relation to distributed power equipment and distributed power equipment under development through lease contracts;

(v) Notes 3(i) and 19 – estimated useful lives and recoverability of intangible assets with finite lives;

(vi) Notes 3(m) and 22 – recognition of deferred tax assets;

(vii) Note 4 – fair value measurement of investments, classification of financial assets and determination of expected credit losses on financial assets;

(viii) Note 4(g) – estimated future cash flows in respect of the lease earn-out receivable;

(ix) Notes 4(j) and 15 – fair value measurement of contingent consideration;

(x) Note 5 - determination of significant influence over the financial and operating policies of Crown Partners Fund;

(xi) Notes 15 and 16 – fair value measurement of net identifiable assets acquired in a business combination or asset acquisition; and

(xii) Note 20 – recoverability of costs capitalized in relation to property under development.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. The situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on Crown, its operating businesses and its investments is not known at this time but could be material.

In the preparation of the consolidated financial statements, the Corporation has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities, and the reported amount of its results using the best available information as of December 31, 2021. Significant sources of estimation uncertainty include the fair value measurement of investments and the determination of expected credit losses on financial assets.

The Corporation actively monitors developments related to COVID-19, including existing and potential economic impacts on the underlying businesses associated with the Corporation's financial assets, and the ability of such businesses to meet their financial obligations to the Corporation's investment subsidiaries and associate on a timely basis. The Corporation also reviews collateral values and monitors financial results of the underlying businesses on an ongoing basis.

2. Basis of preparation (continued):

(e) Reclassification and restatement of prior period presentation:

Certain comparative figures have been reclassified or restated to conform with the current year's presentation (Notes 15(c), 19 and 22).

3. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All inter-company accounts and transactions have been eliminated on consolidation.

Subsidiaries are entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(b) Business combinations:

The Corporation accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Corporation. In determining whether a particular set of activities and assets is a business, the Corporation assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Corporation has an option to apply the concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any excess of consideration given over the fair value of net assets acquired is recognized as goodwill. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except to the extent related to the issuance of debt or equity securities.

3. Significant accounting policies (continued):

(b) Business combinations (continued):

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of the acquisition. Liabilities to pay contingent consideration are remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(c) Non-controlling interests:

Non-controlling interests are measured at the proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition plus the non-controlling interests' share of net income and comprehensive income and contributions, less any distributions paid to the non-controlling interests.

Non-controlling interests on the consolidated statement of financial position are classified as a liability as the corresponding net assets attributable to the limited partners of the subsidiaries are classified as liabilities rather than equity, and because these limited partnership interests do not qualify to be equity as a result of the limited life nature of the limited partnership interests pursuant to the related limited partnership agreements.

(d) Financial assets and financial liabilities:

(i) Recognition and initial measurement

The Corporation initially recognizes financial assets and financial liabilities at fair value when the Corporation becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and measurement

Classification of financial assets is based on the business model for managing the portfolio of assets and the contractual cash flow characteristics of these financial assets. There are three principal classification categories for financial assets that are debt securities: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and FVTPL. Equity securities are generally measured at FVTPL unless an election is taken to measure at FVOCI.

The Corporation's classification and measurement of equity investments and financial liabilities are measured at FVTPL and amortized cost, respectively.

3. Significant accounting policies (continued):

(d) Financial assets and financial liabilities (continued):

(ii) Classification and measurement (continued):

The Corporation's financial assets that are debt instruments are held within a business model where the objective is achieved by holding to collect the contractual cash flows, rather than holding to sell. The Corporation therefore is required to assess the contractual terms of the cash flows to determine the appropriate classification and measurement of its debt instruments. For those debt instruments which give rise to cash flows that are solely payments of principal and interest, these financial assets are classified and measured at amortized cost. For those debt instruments which give rise to cash flows that are other than solely payments of principal and interest, these financial assets are classified and measured at FVTPL. The Corporation measures some of its debt instruments at amortized cost and others at fair value based on these requirements.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the asset.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Corporation also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Financial assets and financial liabilities are offset and the net amounts presented in the statement of financial position when, and only when, the Corporation currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performance risk.

3. Significant accounting policies (continued):

(d) Financial assets and financial liabilities (continued):

(iv) Amortized cost measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at recognition, minus principal repayments (if applicable), plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount (if applicable), minus any reduction for impairment (if applicable), and for financial assets, adjusted for any loss allowance.

(v) Impairment of financial assets

An expected credit loss model applies to financial assets, including debt securities carried at amortized cost, as well as to certain loan commitments and financial guarantees but not to equity investments or to debt instruments carried at FVTPL. Expected credit losses are the difference between all contractual cash flows that are due to the Corporation and all the cash flows the Corporation expects to receive, discounted at the original effective interest rate.

The expected loss impairment model is based on a forward-looking approach and contains a three-stage methodology to evaluate changes in credit risk since initial recognition. For assets where there has not been a significant increase in credit risk since initial recognition (Stage One), a loss provision equal to 12 months expected credit losses is recognized. If credit risk increases significantly from initial recognition (Stage Two) or if a financial asset is considered credit impaired (Stage Three), a loss provision equal to the lifetime expected credit losses is recognized. In considering the lifetime of a loan, the contractual period of the loan is generally used.

Debt securities measured at amortized cost are classified as credit impaired when it is determined that there is no longer reasonable assurance that principal or interest will be collected in their entirety or on a timely basis as a result of one or more loss events, including default, bankruptcy or delinquency. In determining whether or not a default has occurred, the Corporation considers both qualitative and quantitative factors, including compliance with financial covenants and days past due. Interest income on impaired debt securities measured at amortized cost is recognized based on amortized cost, net of allowance, and the original effective interest rate on the impaired debt security.

The Corporation elects to measure the loss allowance for its net investment in leased distributed power equipment and receivables from network services at an amount equal to lifetime expected credit losses under a simplified approach that does not require the Corporation to track changes in credit risk. In considering the lifetime of the net investment in leased distributed power equipment and receivables from network services, the contractual period of the underlying assets are generally used.

3. Significant accounting policies (continued):

(d) Financial assets and financial liabilities (continued):

(v) Impairment of financial assets (continued)

On an ongoing basis, the Corporation assesses whether any investment should be classified as credit impaired and whether any resulting write-off or change in allowance should be recorded. The gross carrying amount of a financial asset is written off when the Corporation has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Corporation assesses the timing and amount of write-offs for impaired assets based on whether there is a reasonable expectation of recovery.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Corporation considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and credit risk assessment from qualified personnel, including forward-looking information.

The key inputs into the measurement of expected credit loss, regardless of the presence of significant increase in credit risk, are probability of default, loss given default and exposure at default. The allowance for expected credit loss is established with consideration for borrower-specific factors, including estimated levels of collateral security, the Corporation's historical credit loss experience, and current and future expected economic conditions.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

3. Significant accounting policies (continued):

(e) Revenue recognition:

(i) Interest revenue

Interest revenue includes the coupon interest and bonus interest, if applicable, received by the Corporation on investments in debt securities measured at FVTPL on an accrual basis.

Interest revenue also includes interest calculated using the effective interest rate method on debt securities measured at amortized cost. Such interest includes amortization of financing fees received upon origination and amendment fees on debt securities measured at amortized cost.

(ii) Fees and other income

Financing fees, prepayment fees and other fees earned on debt securities measured at FVTPL, as well as credit reporting service revenue, are recognized in fees and other income when the Corporation becomes entitled to the fee earned.

(iii) Performance fee distributions

Performance fees earned from non-consolidated managed funds are recognized when the services have been provided, it is highly probable that the fees will be received, and the amount of the fees can be reliably measured, which is determined subject to agreements in the underlying funds.

(iv) Net gain (loss) on investments at FVTPL

Net realized and unrealized gain (loss) from financial instruments at FVTPL is calculated with reference to the initial purchase cost of the financial instrument, adjusted for additions and dispositions.

3. Significant accounting policies (continued):

(e) Revenue recognition (continued):

(v) Network services revenue recognition

Network services revenues are comprised of the following types of revenue:

- Professional services revenue

  Revenue from professional services, network support, maintenance and repair services is recognized as the related service is rendered.

- Hardware sales revenue

  Revenue from hardware sales is recognized when the product is delivered to and accepted by the end-user customers.

- Contractual network services revenue

  Contractual network services revenue relates to the access to and usage of telecommunications infrastructure. There are two types of contractual network services revenue: (i) non-recurring revenues related to the upfront installation of network elements are invoiced at the time of installation and are deferred and recognized on a straight-line basis over the term of the customer life, which is generally three to five years in duration; and (ii) monthly recurring revenues relating to the ongoing operation of network services are recognized as the service is rendered over the term of the arrangement.

  Network services revenue is recognized to the extent the performance obligations to the customer have been satisfied. Payments are typically due 30-60 days from the billing date and are typically rendered on a monthly basis.

  The Corporation does not adjust the contracted amount of consideration from the customer for the effects of financing components when, at the inception of a contract, we expect that the effect of the financing component is not significant at the individual contract level.

  Costs of contract acquisition, namely commissions expense, are capitalized and subsequently recognized as an expense over the customer life.

3. Significant accounting policies (continued):

(f) Compound financial instruments:

The Corporation's compound financial instrument is comprised of its convertible debentures that can be converted to common shares at the option of the holder. The number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of a convertible debenture is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. Any direct attributable transaction costs are allocated to the equity and liability components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound instrument is measured at amortized cost using the effective interest method. Interest, gains and losses relating to the financial liability are recognized in profit and loss. The equity component of the compound instrument is not re-measured subsequent to initial recognition. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(g) Property and equipment:

(i) Network services equipment:

Network services equipment is depreciated on a straight-line basis over its estimated useful life, which ranges between 6-15 years, depending on the nature of the equipment. Depreciation includes the amortization of right-of-use assets where the Corporation is the lessee. The total cost of network equipment situated at customers' premises, associated installation costs and costs of contract acquisition are capitalized as incurred.

The Corporation leases network services equipment and properties, including the usage of third-party tower space through network co-location arrangements. As a lessee, the Corporation recognizes right-of-use assets and lease liabilities for most leases. The Corporation has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. For the year ended December 31, 2021, the expense associated with such lease payments was $651 (2020 - $294).

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3. Significant accounting policies (continued):

(g) Property and equipment (continued):

(ii) Office equipment:

All classes of office equipment are measured at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated using the following methods: computer equipment on a straight-line basis over three years; office furniture and equipment on a declining balance basis at 20 per cent annually.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(iii) Distributed power equipment:

Distributed power equipment comprises the carrying value of power generation assets that have completed construction and are to be deployed on future projects of Crown Power Fund. These assets are recorded at cost, less any accumulated impairment losses.

At each reporting date, the carrying amounts of distributed power equipment are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows on the lease contracts, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The equipment is not subject to depreciation until the point in time in which it is available or ready for use, at which point the equipment is reclassified as a net investment in leased distributed power equipment and is measured at amortized cost. Any gain or loss arising on remeasurement is recognized in profit and loss.

3. **Significant accounting policies (continued):**

(g) Property and equipment (continued):

(iv) Net investment in leased distributed power equipment:

The Corporation, through Crown Power Fund, leases its equipment to its operating partners, who in turn use the equipment to provide on-site distributed power generation to their end customers. The determination is made at lease inception as to whether each lease is a finance lease or an operating lease. The distributed power equipment under lease as at December 31, 2021 and 2020 is subject to finance lease arrangements. To classify each lease, an overall assessment is made as to whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, certain indicators are considered, such as whether the lease is for the major part of the economic life of the asset and whether the present value of minimum lease payments amount to at least substantially all of the fair value of the leased asset.

Under a finance lease arrangement, as the lessor, a net investment in leased distributed power equipment is recognized on the statement of financial position at the amount of its net investment, which comprises the present value of the minimum lease payments for the lease term and any unguaranteed residual value accruing to the lessor. The present value is calculated by discounting the minimum lease payments due and any unguaranteed residual value, at the interest rate implicit in the lease.

Interest income is accrued on the net investment over the lease term. Lease payments are treated as a repayment of principal and interest, allocated between reducing the net investment and recognizing finance income to produce a constant rate of return on the net investment.

The Corporation applies the derecognition and impairment requirements in IFRS 9 to the net investment in leased distributed power equipment. Estimated unguaranteed residual values used are regularly reviewed in calculating the gross investment in the leased distributed power equipment.

3. **Significant accounting policies (continued):**

(h) Property and equipment under development and related deposits:

Property and equipment under development and related deposits includes (i) distributed power equipment under development and related deposits comprising the carrying value of distributed power assets owned by Crown Power Fund that are in the course of construction; and (ii) property under development comprising the carrying value of property owned by the Corporation that is in the course of development.

(i) Distributed power equipment under development and related deposits are recorded at cost, which includes all expenditures necessary to bring the assets to working condition for their intended use, plus accrued interest on advances made in the course of construction by Crown Power Fund to the operating partners to whom it will ultimately lease the distributed power assets, less any accumulated impairment losses. Accrued interest is subsequently recovered through receipt of lease payments over the duration of the lease contract.

At each reporting date, the carrying amounts of distributed power equipment under development is reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows on the lease contracts, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The equipment is not subject to depreciation until completion of its development phase, at which point the equipment is reclassified as a net investment in leased distributed power equipment and is measured at amortized cost. Any gain or loss arising on remeasurement is recognized in profit and loss.

3. Significant accounting policies (continued):

(h) Property and equipment under development and related deposits (continued):

(ii) Property under development is recorded at the cost of the land plus all expenditures incurred to date that are necessary to bring the asset to working condition for its intended use, less any accumulated impairment losses. At each reporting date, the carrying amount of property under development is reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated cash flows on the property, discounted to its present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The property is not subject to depreciation until completion of its development phase, at which point it is reclassified as part of property and equipment and measured at cost less any accumulated impairment losses.

(i) Network services contracts

Intangible assets in respect of the WireIE and Galaxy acquisitions relate to customer contracts acquired.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, which are reviewed at least annually and adjusted as appropriate.

Network services contracts are subject to amortization on a straight-line basis as the Corporation believes that this method reflects the consumption of resources related to the economic lifespan of these assets better than a diminishing basis and is more representative of the economic substance of the underlying use of the assets. The estimated useful life for a network services contract ranges between 3-6 years and the intangible assets related to such contracts are depreciated on a straight-line basis over 3-6 years, with consideration for the average remaining useful life of the contracts. Indicators of impairment such as competitive pressures and technological obsolescence are considered when determining whether the carrying value of an asset is recoverable. An impairment loss is recorded to the extent the carrying value of an asset is not considered to be recoverable.

3. Significant accounting policies (continued):

(j) Employee benefits:

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plan

The Corporation contributes to a defined contribution pension plan for employees and expenses contributions when they are due in respect of service rendered to the end of the reporting period.

(iii) Other long-term employee benefits

The provision for performance bonus represents the period end estimate of the amount of future benefit that employees have earned in return for their service in the current and prior periods. Remeasurements of the obligation are recognized in profit or loss in the period in which they arise.

(k) Share-based payment plans:

Equity-settled, share-based payments to employees, directors and others are measured at fair value of the equity instrument granted. A Black-Scholes option pricing model is used to fair value the stock options issued to employees on the date of grant. The closing market value of the Corporation's common shares on the day prior to the date of grant is used to determine the fair value of the equity-based share units issued to employees.

The cost of the equity-settled, share-based payments is recognized as an expense with a corresponding increase in contributed surplus over the related service period provided to the Corporation. The service period may commence prior to the grant date with compensation expense recognition being subject to specific vesting conditions (including non-market vesting performance conditions) and the best estimate of equity instruments expected to vest. Estimates relating to vesting conditions are reviewed regularly with any adjustments recorded to compensation expense. On the vesting date, the Corporation revises, if necessary, the estimate to equal the number of equity instruments ultimately vested and adjusts the corresponding compensation expense and contributed surplus accordingly.

Upon exercise or settlement of equity-based instruments, consideration received, if any, together with amounts previously recorded in contributed surplus, are recorded as an increase in share capital.

Cash-settled share-based payments are measured based on the fair value of the cash liability. The amount determined is recorded as compensation expense over the service period. The liability is re-measured each period with a corresponding adjustment to the related compensation expense until the date of settlement.

3. Significant accounting policies (continued):

(l) Earnings per share:

Basic earnings per share is calculated by dividing the net income or loss and comprehensive income or loss for the period attributable to the shareholders of the Corporation by the weighted average number of common shares outstanding for the period.

Diluted earnings per share is calculated in the same manner as basic earnings per share, except that the weighted average number of common shares outstanding is adjusted for dilutive instruments. The number of shares included with respect to stock options, share units and similar instruments is computed using the treasury stock method.

(m) Income tax:

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; or for taxable temporary differences arising on the recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Corporation and its subsidiaries. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

3. Significant accounting policies (continued):

(n) Leases:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Corporation by the end of the lease term or the cost of the right-of-use asset reflects that the Corporation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. The incremental borrowing rate is determined with reference to interest rates from various external financing sources and is adjusted to reflect the terms of the lease and type of asset leased. The lease liability is measured at amortized cost using the effective interest method.

(o) Inventory:

Inventory is measured at the lower of cost and net realizable value. Cost is inclusive of all costs of purchase (e.g. duty and freight as applicable), costs of conversion and other costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses necessary to complete the sale.

3. Significant accounting policies (continued):

(p) Goodwill:

Goodwill represents the excess of the cost of the Corporation's acquisition of subsidiary over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment charges and is not amortized but is subject to an impairment test annually and whenever impairment indicators are identified.

Goodwill acquired through a business combination is allocated to each CGU, or group of CGUs but not larger than an operating segment, that are expected to benefit from the synergies of the combination. An impairment loss is recognized if the carrying amount of the CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss, and those impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other non-financial assets in the CGU on a pro-rata basis. Impairment losses in respect of goodwill are not reversed.

(q) Accounting policies adopted in the current period:

(i) Property under development and related deposits:

As a result of the acquisitions of PSCC on March 1, 2021 and of PBC on April 15, 2021, the accounting policy described in Note 3(h)(ii) in respect of property and equipment under development and related deposits was adopted.

(ii) Effective July 13, 2021 (the "Transaction Date"), the Corporation reduced its ownership interest in CPCP from 100% to 12.5% through a sale of shares and reduced its effective interest in Crown Partners Fund from 36.5% to 28.0% through a sale of limited partnership units to CPCP, while CPCP concurrently assumed from the Corporation its investment management contracts in respect of its alternative lending business (the "Transaction").

As a result of the Transaction, the Corporation has concluded that it ceased to have control over Crown Partners Fund, which had previously been consolidated as a subsidiary, effective as at the Transaction Date. The Corporation's 12.5% interest in CPCP is recognized as an investment carried at FVTPL, with a carrying value of $25 as at the Transaction Date.

The Corporation has concluded that it has significant influence over the financial and operating policies of Crown Partners Fund on account of its retained limited partnership and general partnership interests in Crown Partners Fund. Effective as at the Transaction Date, the assets and liabilities of Crown Partners Fund and any related non-controlling interests were derecognized, and consolidation of its financial performance was discontinued. The Corporation has recognized the retained interest in Crown Partners Fund as an investment in associate (see Note 5).

3. Significant accounting policies (continued):

(q) Accounting policies adopted in the current period (continued):

The following accounting policies have been adopted:

Loss of control

When the Corporation loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is remeasured at fair value as at the date at which control is lost. Any resulting gain or loss is recognized in profit or loss.

Investment in associate

An associate is an entity in which the Corporation has significant influence, but not control or joint control, over the financial and operating policies. Investment in associate is accounted for using the equity method. It is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Corporation's share of the profit or loss until the date on which significant influence ceases.

When the Corporation's share of losses exceeds its interest in an associate, the Corporation's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Corporation has incurred legal or constructive obligations, or made payments on behalf of an associate. If the associate subsequently reports profits, the Corporation resumes recognizing its share of those profits only after its share of profits equals the share of accumulated losses not recognized. The Corporation assesses at each reporting period whether there is any objective evidence that its investment in associate is impaired in accordance with IAS 36, *Impairment of Assets*. Impairment losses are reversed in subsequent periods if the recoverable amount of the investment subsequently increases and the increase can be related objectively to an event occurring after the impairment was recognized.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments:

(a) Investments

As at	**December 31, 2021**	**December 31, 2020**
Investments at FVTPL:		
Canadian debt securities at FVTPL	$ 500	$ 65,344
Canadian equity securities	25	3,993
Other investments	-	8,671
Total Investments at FVTPL	525	78,008
Canadian debt securities at amortized cost	19,498	184,117
Allowance for credit losses	(15,672)	(16,062)
Total Investments at amortized cost, net of allowance for credit losses	3,826	168,055
Total Investments	$ 4,351	$ 246,063
Current portion	(1,750)	(3,163)
Non-current portion	**$ 2,601**	**$ 242,900**

(b) Canadian debt securities

The gross carrying value of Canadian debt securities broken down by contractual maturity is as follows:

Contractual maturity	**December 31, 2021**	**December 31, 2020**
On demand	$ 19,998	$ 53,766
0 – 12 months	-	3,163
1 – 3 years	-	131,960
3 – 5 years	-	60,572
Total debt securities	**$ 19,998**	**$ 249,461**

As at December 31, 2021, investments held in the form of Canadian debt securities had coupon interest rates ranging from 2.5% to 14.0% (December 31, 2020 – 10.0% to 16.0%) per annum.

Interest revenue calculated using the effective interest rate method for debt securities carried at amortized cost totaled $8,443 for the year ended December 31, 2021 (for the year ended December 31, 2020 - $19,827). The effective interest rates as at December 31, 2021 ranged from nil% to 2.5% (December 31, 2020 – 10.0% to 14.3%).

Finance fees recognized in revenue in relation to the repayment of debt securities carried at amortized cost totaled $15 for the year ended December 31, 2021 (for the year ended December 31, 2020 - $282).

4. Financial instruments (continued):

(c) Canadian equity securities

As at December 31, 2021, the investment in Canadian equity securities represents common shares of CPCP. As at December 31, 2020, investments in Canadian equity securities included common shares of Canadian public companies, warrants in Canadian public companies, common shares of a Canadian private company and warrants in a Canadian private company.

(d) Other investments

As at December 31, 2020, other investments included royalty arrangements and other investment structures that are neither debt securities nor equity-linked.

(e) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and are used by the Corporation in the management of short-term commitments.

(f) Network services contract receivables

Included in accounts receivable are amounts owing from parties with which the Corporation has entered into network services contracts.

(g) Lease earn-out note receivable

The lease earn-out note receivable represents entitlements to future cash flows in respect of PSCC's sale of its interest in a grocery-anchored community retail plaza located in Hamilton, Ontario. The entitlements to future cash flows are based on leases secured by PSCC in respect of a prescribed area of available density as at September 30, 2021, are valued based on the expected cash flows arising from expected future earnings in respect of those leases secured (see Note 15), and the receivable is classified as a Level 3 financial instrument (see Note 4(j) for a description of the three-tier hierarchy framework for disclosing fair value). For the period between the acquisition of PSCC on March 1, 2021 and December 31, 2021, the fair value of the lease earn-out note receivable declined by $1,846 to $4,603 (December 31, 2020 – $nil) due to a revised estimate of the related future cash flows, with the decrease in fair value recognized in net income for the period as a remeasurement of financial instruments.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(h) Net investment in leased distributed power equipment

The Corporation entered into one finance lease contract in the year ended December 31, 2021 (December 31, 2020 – two) upon completion of the development of the related distributed power assets. There was no resultant gain or loss on reclassification of the distributed power equipment under development to net investment in leased distributed power equipment. For the year ended December 31, 2021, the Corporation recognized interest income in relation to its net investment in leased distributed power equipment of $784 (December 31, 2020 - $105).

The following table sets out a maturity analysis of its net investment in leased distributed power equipment, showing the undiscounted lease payments to be received as at the reporting date.

	December 31, 2021	December 31, 2020
Less than one year	$ 1,330	$ 1,225
One to two years	1,330	1,231
Two to three years	1,330	1,231
Three to four years	1,330	1,231
Four to five years	1,330	1,231
Greater than five years	7,170	7,284
Total undiscounted lease payments	13,820	13,433
Unearned finance income	(5,359)	(5,281)
Undiscounted unguaranteed residual value	1,200	1,105
Net investment in leased distributed power equipment, before allowance for credit loss	9,661	9,257
Allowance for credit loss	(97)	(91)
Net investment in leased distributed power equipment	$ 9,564	$ 9,166
Current portion	(578)	(510)
Non-current portion	**$ 8,986**	**$ 8,656**

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(i) Allowance for credit losses

The changes to the Corporation's allowance for credit losses under IFRS 9, as at and for the years ended December 31, 2021 and December 31, 2020, are shown in the following tables.

December 31, 2021				
Allowance for credit losses	**Debt securities**	**Net investment in leased distributed power equipment**	**Network services receivables**	**Total**
Opening balance	$ 16,062	$ 91	$ 432	$ 16,585
Additions	-	8	49	57
Repayment	(37)	(2)	(15)	(54)
Net remeasurement of loss allowance	2,426	-	-	2,426
Settlement upon acquisition	(130)	-	-	(130)
Derecognition of subsidiary[1]	(2,649)	-	-	(2,649)
Ending balance	**$ 15,672**	**$ 97**	**$ 466**	**$ 16,235**

1 As a result of the Transaction, the assets and liabilities of Crown Partners Fund, and any related non-controlling interests, were derecognized by the Corporation effective July 13, 2021 (see Note 5).

There were no transfers from Stage One, Stage Two, or Stage Three in the year ended December 31, 2021.

December 31, 2020				
Allowance for credit losses	**Debt securities**	**Net investment in leased distributed power equipment**	**Network services receivables**	**Total**
Opening balance	$ 744	$ 6	$ 81	$ 831
Additions	11	85	249	345
Repayment	(29)	-	-	(29)
Net remeasurement of loss allowance	15,336	-	102	15,438
Transfer to (from) Stage One[1]	(7)	-	-	(7)
Transfer to (from) Stage Two[1]	(79)	-	-	(79)
Transfer to (from) Stage Three[1]	86	-	-	86
Ending balance	**$ 16,062**	**$ 91**	**$ 432**	**$ 16,585**

[1] Excludes net remeasurement of loss allowance in respect of loans transferred between stages.

As at and for the year ended December 31, 2020, the transfer from Stage One is a transfer to Stage Two, and the transfer to Stage Three is a transfer from Stage Two.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(i) Allowance for credit losses (continued)

The total gross carrying values of Canadian debt securities at amortized cost, net investment in leased distributed power equipment and receivables from network services classified as Stage One, Stage Two and Stage Three and the associated allowance for credit losses, as at December 31, 2021 and December 31, 2020, are shown in the following tables:

	December 31, 2021			
	Stage One	**Stage Two**	**Stage Three**	**Total**
Canadian debt securities:				
Gross carrying value at amortized cost	$ 1,750	$ -	$ 17,748	$ 19,498
Allowance for credit losses	-	-	(15,672)	(15,672)
Net carrying value at amortized cost, net of allowance for credit losses	$ 1,750	$ -	$ 2,076	$ 3,826
Net investment in leased distributed power equipment:				
Gross carrying value at amortized cost	-	9,661	-	9,661
Allowance for credit losses[1]	-	(97)	-	(97)
Net carrying value at amortized cost, net of allowance for credit losses	$ -	$ 9,564	$ -	$ 9,564
Receivables from network services:				
Gross carrying value at amortized cost	-	3,479	-	3,479
Allowance for credit losses[1]	-	(466)	-	(466)
Net carrying value at amortized cost, net of allowance for credit losses	$ -	$ 3,013	$ -	$ 3,013
Total allowance for credit losses	**$ -**	**$ (563)**	**$ (15,672)**	**$ (16,235)**

1 The Corporation elects to classify the gross carrying values of net investment in leased distributed power equipment and receivables from network services as Stage Two and the associated allowance for credit losses is measured at an amount equal to lifetime expected credit losses under a simplified approach that does not require the Corporation to track changes in credit risk.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(i) Allowance for credit losses (continued):

December 31, 2020	Stage One	Stage Two	Stage Three	Total
Canadian debt securities:				
Gross carrying value at amortized cost	$ 40,700	$ 110,623	$ 32,794	$ 184,117
Allowance for credit losses	(31)	(846)	(15,185)	(16,062)
Net carrying value at amortized cost, net of allowance for credit losses	$ 40,669	$ 109,777	$ 17,609	$ 168,055
Net investment in leased distributed power equipment:				
Gross carrying value at amortized cost	-	9,257	-	9,257
Allowance for credit losses[1]	-	(91)	-	(91)
Net carrying value at amortized cost, net of allowance for credit losses	$ -	$ 9,166	$ -	$ 9,166
Receivables from network services:				
Gross carrying value at amortized cost	-	3,067	-	3,067
Allowance for credit losses[1]	-	(432)	-	(432)
Net carrying value at amortized cost, net of allowance for credit losses	$ -	$ 2,635	$ -	$ 2,635
Total allowance for credit losses	**$ (31)**	**$ (1,369)**	**$ (15,185)**	**$ (16,585)**

1 The Corporation elects to classify the gross carrying values of net investment in leased distributed power equipment and receivables from network services as Stage Two and the associated allowance for credit losses is measured at an amount equal to lifetime expected credit losses under a simplified approach that does not require the Corporation to track changes in credit risk.

4. Financial instruments (continued):

(j) Fair values:

The fair values of financial assets and financial liabilities that are traded on active markets are based on closing quoted market prices at the reporting date. For all other financial instruments, the Corporation determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Fair values of investments without quoted market prices are determined by management on the basis of the expected realizable value of the investments as at the date of the statement of financial position if they were disposed of in an orderly manner over a reasonable period of time, discounted at a rate which is considered by management to be appropriate at the date of the financial statement for the specific investment. There is no active secondary market for many investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

A three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Corporation's investments. The hierarchy of inputs is summarized below:

- Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for instruments, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on the quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. **Financial instruments (continued):**

(j) Fair values (continued):

The tables below analyze the fair value of investments at December 31, 2021 and December 31, 2020 by the level in the fair value hierarchy into which the fair value measurement is categorized. For investments carried at FVTPL, the amounts are based on the values recognized in the statement of financial position. There were no transfers between levels during the period.

	December 31, 2021				
	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**	**Carrying value**
Canadian debt securities at FVTPL	$ -	$ -	$ 500	$ 500	$ 500
Canadian equity securities	-	-	25	25	25
Total Investments at FVTPL	-	-	525	525	525
Canadian debt securities at amortized cost	-	-	3,826	3,826	3,826
Total Investments	**$ -**	**$ -**	**$ 4,351**	**$ 4,351**	**$ 4,351**

	December 31, 2020				
	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**	**Carrying value**
Canadian debt securities at FVTPL	$ -	$ -	$ 65,344	$ 65,344	$ 65,344
Canadian equity securities	1,144	2,849	-	3,993	3,993
Other investments	-	-	8,671	8,671	8,671
Total Investments at FVTPL	1,144	2,849	74,015	78,008	78,008
Canadian debt securities at amortized cost	-	-	168,674	168,674	168,055
Total Investments	**$ 1,144**	**$ 2,849**	**$ 242,689**	**$ 246,682**	**$ 246,063**

4. Financial instruments (continued):

(j) Fair values (continued):

Canadian debt securities are valued using the discounted present value of expected cash flows arising from these debt instruments.

Observable inputs used in the development of an appropriate discount rate include Government of Canada benchmark interest rate for the term of the individual loan and the BBB-rated corporate interest rate spread for the term of the individual loan. Significant unobservable inputs include an illiquidity spread as well as a credit spread, both of which increase the discount rate. These rates are set initially at a level such that the loan valuation equals the initial purchase cost of the loan and are subsequently adjusted at each valuation date to reflect management's current assessment of market conditions as well as of loan-specific credit and illiquidity risk.

Discount rates are subject to adjustment based on both management's current assessment of market conditions and the economic performance of individual investments. At December 31, 2021, no discount rates were used in determining the carrying value of the Canadian debt securities, which were valued based on estimated recoverable amount. At December 31, 2020, which preceded the derecognition of Crown Partners Fund effective as at the Transaction Date, the Corporation held multiple Canadian debt securities, for which discount rates ranging from 10.7% to 18.9% were used in determining the carrying values.

The most significant input into the calculation of fair value of Level 3 debt investments for the comparative periods is the discount rate applied to expected future cash flows. If the discount rate increased or decreased by 100 bps, the fair value of Level 3 investments at December 31, 2021 would decrease by $nil (December 31, 2020 – $3,562) or increase by $nil (December 31, 2020 – $3,694), respectively.

The Canadian equity security as at December 31, 2021 is valued based on its transaction price. The Canadian equity securities at December 31, 2020 included warrants classified as Level 3 that were valued based on a net asset value-based estimate of the underlying equity value, and common shares in a Canadian private company classified as Level 3 that were valued using an enterprise value multiple approach. As at December 31, 2020, the other investments classified as Level 3 were either valued using the discounted present value of expected cash flows arising from these investments with discount rates ranging from 14.6% to 17.5% or were valued using both this discounted cash flow approach and an enterprise value approach.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(j) Fair values (continued):

The following tables reconcile opening balances to closing balances for fair value measurements of investments carried at FVTPL in Level 3 of the fair value hierarchy as at and for the years ended December 31, 2021 and December 31, 2020:

For the years ended	**December 31, 2021**	**December 31, 2020**
Level 3 securities at FVTPL		
Opening balance	$ 74,015	$ 84,235
Additions	25	-
Repayments	-	(7,000)
Derecognition of subsidiary[1]	(72,037)	-
Net change in unrealized gains	(1,478)	(3,220)
Ending balance	**$ 525**	**$ 74,015**

1 As a result of the Transaction, the assets and liabilities of Crown Partners Fund, and any related non-controlling interests, were derecognized by the Corporation effective July 13, 2021 (see Note 5).

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable to non-controlling interests and promissory notes payable approximate their fair values due to their short term to maturity. The carrying values of the credit facilities and net investment in leased distributed power equipment approximate their fair values due to the market interest rates on the loans.

The lease earn-out note receivable representing entitlements to future cash flows in respect of PSCC's sale of a commercial property interest is valued based on the expected cash flows arising from future earnings on leasing activity.

The deferred compensation liability is measured based on the market value of the Corporation's share price with the impact of any resultant change included in share-based compensation expense in the period.

Contingent consideration in relation to the Galaxy acquisition is valued using the discounted present value of aggregate expected cash flows in excess of prescribed percentages of cumulative earnings and revenues arising from the Corporation's investment in Galaxy (see Note 15). In the year ended December 31, 2021, the fair value of the contingent consideration liability decreased by $2,320 to $1,600 (December 31, 2020 – $3,920) attributable to a cash payment of $2,650 in partial settlement of this liability, net of an increase of $330 representing the change in fair value recognized in net income for the year as a remeasurement of financial instruments.

4. Financial instruments (continued):

(j) Fair values (continued):

The fair value of the Corporation's convertible debentures – liability component is measured at $19,950 at December 31, 2021 (December 31, 2020 - $17,000). The Corporation's convertible debentures – liability component is classified as Level 1 because they are actively traded on the TSX and the fair value is based on the quoted market prices.

(k) Vendor Promissory Notes payable

On September 15, 2020, as partial consideration for the equity acquired from the previous shareholders of Galaxy, the Corporation agreed to pay to selling shareholders additional consideration in the form of unsecured promissory notes ("Vendor Promissory Notes"). The Vendor Promissory Notes payable were repaid in full during the year ended December 31, 2021 such that the balance outstanding as at December 31, 2021 was $nil (December 31, 2020 - $581). Interest expense in relation to Vendor Promissory Notes payable for the year ended December 31, 2021 was $28 (December 31, 2020 - $nil). The Vendor Promissory Notes bore interest at 5.0% per annum.

(l) Network Services Vendor Note payable

The Corporation carries an unsecured, interest-bearing vendor note payable ("Network Services Vendor Note payable") with one of Galaxy's primary network services vendors. The Network Services Vendor Note payable bears interest at 8% per annum, calculated and payable annually, and matures on February 1, 2023. Principal amounts are to be repaid in monthly instalments, payable on the first day of each month. At December 31, 2021, the balance of the Network Services Vendor Note payable is $612 (December 31, 2020 - $1,321). In the year ended December 31, 2021 payments of $790 were made in respect of the repayment of the Network Services Vendor Note payable, including interest expense in relation to the Network Services Vendor Note payable of $81 (December 31, 2020 - $nil).

(m) Mortgages payable

Upon acquisition of PSCC on March 1, 2021, Crown assumed a mortgage payable of $3,300 (see Note 15), secured by the value of property under development, that is due on August 26, 2022. The mortgage payable bears interest at 8.5% per annum, calculated and payable monthly on the first day of each month. The Corporation has the option to prepay all of the mortgage payable outstanding after September 1, 2021 on payment of a penalty equal to one months' interest on the outstanding indebtedness.

Upon acquisition of PBC on April 15, 2021, Crown assumed a mortgage payable of $9,150, secured by the value of property under development, which had a maturity date of January 1, 2022 that has been extended to July 1, 2022 (see Note 16). The mortgage payable is comprised of two tranches with balances outstanding of $3,750 and $5,400, which bear interest at 13.5% per annum and a variable interest rate based on Prime Rate plus 655 bps (with a floor of 9.00%) per annum, respectively, calculated and payable monthly on the first day of each month.

In the year ended December 31, 2021, $782 of interest in respect of mortgages payable was capitalized to property and equipment under development and related deposits.

5. Investment in Crown Partners Fund:

Effective as of the Transaction Date, primarily resulting from the assignment of its investment management contracts in respect of its alternative lending business, the Corporation concluded that it ceased to have control over Crown Partners Fund and that, as of that date, it had significant influence over the financial and operating policies of Crown Partners Fund on account of its retained limited partnership and general partnership interests in Crown Partners Fund. Crown Partners Fund is a limited partnership registered and domiciled in Canada. The principal activity of Crown Partners Fund is investment in loans to mid-market Canadian corporations. Crown Partners Fund is not publicly listed.

Whereas the Corporation had previously consolidated Crown Partners Fund as a subsidiary, effective as of the Transaction Date, the assets and liabilities of Crown Partners Fund and any related non-controlling interests were derecognized and the consolidation of its financial performance was discontinued with the Corporation's retained interest in Crown Partners Fund subsequently recognized as an investment in associate accounted for using the equity method. At the Transaction Date, a gain of $1,218 was recognized in relation to the remeasurement of the Corporation's retained interest in Crown Partners Fund to fair value upon derecognition of Crown Partners Fund as a subsidiary. This gain, in addition to a gain of $370 realized upon the sale of a partial interest in Crown Partners Fund on the Transaction Date, are recognized in net income for the year ended December 31, 2021 as a gain on derecognition of subsidiary. The Corporation received cash proceeds of $16,298 in connection with the sale of the partial interest in Crown Partners Fund. The fair value of the retained interest in Crown Partners Fund recognized as an investment in associate at the Transaction Date is representative of the deemed cost of the investment at initial recognition.

As of the Transaction Date, the Corporation has an effective interest of 28.0% in the limited partnership units of Crown Partners Fund and, through its 100% interest in CCPF MI, it remains the general partner of Crown Partners Fund. The investment in Crown Partners Fund is comprised of the sum of the carrying values of the Corporation's limited partnership and general partnership interests.

As the general partner, the Corporation is entitled to receive a performance fee distribution equal to 20% of cumulative investment returns in excess of an annual rate of return of 8% earned by Crown Partners Fund, subject to the terms of the limited partnership agreement of Crown Partners Fund. The accrued value of this performance fee as at December 31, 2021 of $9,194 represents the carrying value of the Corporation's general partnership interest. As at December 31, 2021, the Corporation had accrued a provision for performance bonus of $4,597 in respect of the asset performance bonus pool of Crown Partners Fund, which represents the portion of the accrued value of the performance fee that would not be retained by the Corporation upon receipt (see Note 11).

The fair value of the investment in Crown Partners Fund of $47,332 as at December 31, 2021 is measured based on the net asset value of Crown Partners Fund as determined by the investment manager of Crown Partners Fund. The underlying investment portfolio of Crown Partners Fund is comprised of Canadian debt securities measured at amortized cost and investments measured at FVTPL including Canadian debt securities, Canadian equity securities and other investments such as royalty arrangements. As at December 31, 2021, investments held by Crown Partners Fund in the form of Canadian debt securities had coupon interest rates ranging from 10.0% to 12.5% per annum and effective interest rates ranging from 10.0% to 14.0% for debt securities carried at amortized cost.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

5. Investment in Crown Partners Fund (continued):

The following table shows the movement in the carrying value of the investment in Crown Partners Fund for the period:

	December 31, 2021		
Crown Partners Fund	Limited partnership interest	General partnership interest	Total
Balance, January 1, 2021	$ -	$ -	$ -
Fair value at Transaction Date	53,593	7,637	61,230
Share of earnings since Transaction Date	3,171	1,557	4,728
Distributions since Transaction Date	(18,589)	-	(18,589)
Balance, December 31, 2021	**$ 38,175**	**$ 9,194**	**$ 47,369**

The following table shows the summarized financial information for Crown Partners Fund prepared in accordance with IFRS:

As at and for the year ended December 31,	**2021**
Crown Partners Fund – Summary Balance Sheet Information	
Investments	$ 141,564
Other assets	5,614
Total liabilities	(3,409)
Net assets	143,769
Net assets attributable to limited partners	134,575
Net assets attributable to general partner	9,194
Crown Partners Fund – Summary Income Statement Information	
Interest revenue	$ 21,697
Other revenue	6,126
Total operating expenses	(4,248)
Total increase in net assets	23,575
Increase in net assets attributable to limited partners	20,859
Increase in net assets attributable to general partner	2,716

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

6. Financial risk management:

(a) Overview:

The Corporation has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk and the Corporation's management of capital.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

(b) Risk management framework:

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

(c) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's investments in debt securities and in Crown Partners Fund, as well as accounts receivable from the investment funds that it manages.

The maximum exposure to credit risk is summarized as follows:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 10,842	$ 19,150
Accounts receivable	6,056	8,460
Income taxes recoverable	-	2,970
Lease earn-out note receivable	4,603	-
Investments in debt securities at FVTPL	500	65,344
Investments in debt securities at amortized cost	3,826	168,055
Investment in Crown Partners Fund	47,369	-
Net investment in leased distributed power equipment	9,564	9,166
Unfunded commitments on debt securities at amortized cost (Note 21)	-	3,000
	$ 82,760	**$ 276,145**

6. Financial risk management (continued):

(c) Credit risk (continued):

Management fees receivable from managed investment funds are funded by cash flows from the underlying investments.

The debt instruments held by the Corporation and in the underlying investment portfolio of Crown Partners Fund are unrated and relatively illiquid. Repayments are dependent on the ability of the underlying businesses to generate sufficient cash flow from operations, refinancings or the sale of assets or equity. As at the reporting date, the terms of the individual debt instruments held by the Corporation and the risks of the underlying businesses are reflected in the fair values of debt instruments carried at FVTPL and in the allowance for credit losses for debt instruments carried at amortized cost. The investment manager of Crown Partners Fund follows an internal risk rating process to monitor the credit risk of individual investments and generally considers collateral of the underlying businesses, including property, plant and equipment, inventory and receivables, in structuring its investments and managing credit risk. The investment manager of Crown Partners Fund actively reviews collateral values and monitors financial results of the underlying businesses regularly against the underlying business plans and industry trends in order to reflect, in the accounts of Crown Partners Fund, the terms of the individual debt instruments and the risks of the underlying businesses in the fair values of debt instruments carried at FVTPL and in the allowance for credit losses for debt instruments carried at amortized cost.

The net investment in leased distributed power equipment held by the Corporation is unrated and relatively illiquid. Repayments are dependent on the ability of the underlying end user of the leased asset to generate sufficient cash flow from operations, refinancing or the sale of assets or equity. The carrying value of the net investment in leased distributed power equipment at amortized cost is net of an allowance for credit losses that reflects management's estimation of expected credit loss.

(d) Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. Certain obligations in respect of the provision for performance bonus and non-controlling interests only become due as the related investment fund's assets are liquidated and liquidation proceeds are received, and as such, there is no associated liquidity risk.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

6. Financial risk management (continued):

(d) Liquidity risk (continued):

The carrying value of financial liabilities broken down by contractual maturity is as follows:

Contractual maturity	December 31, 2021	December 31, 2020
On demand	$ -	$ -
0 – 12 months	24,609	42,811
1 – 3 years	20,875	57,987
3 – 5 years	4,597	41
5 years or more	1,063	3,872
Total carrying value of financial liabilities	**$ 51,144**	**$ 104,711**

As at December 31, 2021, the Corporation had an excess of current assets over current liabilities of $2,493 (December 31, 2020 – deficit of $7,012), $13,426 of committed capital available to Crown Power Fund from parties other than Crown to support the financing requirements of Crown Power Fund, and an undrawn balance of $20,000 in respect of its revolving credit facility, which is subject to adherence to customary financial covenant restrictions. In addition to the availability of these resources, management has taken precautionary measures to further bolster the Corporation's liquidity by actively managing liquidity risk through the active monitoring of budgeted and projected results and cash requirements.

(e) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

- Currency risk:

  Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation invests primarily in Canadian-dollar denominated investments. Through Crown Power Fund, the Corporation is exposed to transactional foreign currency risk to the extent sales or expenditures are denominated in foreign currencies and in relation to the translation of assets and liabilities denominated in foreign currencies to Canadian dollars.

  As at the reporting date, the Corporation's exposure to U.S. dollar-denominated cash, expressed in Canadian dollars and as a percentage of its net assets, was $76 and 0.1%, respectively (2020 – $1,522 and 1.9%, respectively). If the U.S. dollar appreciated (depreciated) by 100 bps, the Corporation's net income (loss) and comprehensive income (loss) and total equity for the years ended and as at December 31, 2021 and December 31, 2020 would not be meaningfully impacted.

6. Financial risk management (continued):

(e) Market risk (continued):

- Interest rate risk:

  Interest rate risk is the risk that the Corporation's earnings will be affected by fluctuations in interest rates. The Corporation's lease obligations, convertible debentures and a portion of mortgages payable bear fixed rates of interest. The Corporation's exposure to the risk of changes in market interest rates relates primarily to the Corporation's credit facilities and to the portion of the mortgages payable which bear interest at market rates. The Corporation's interest-bearing debt investments and the interest-bearing debt investments of the underlying investment portfolio of Crown Partners Fund are impacted by the credit metrics, liquidity and business fundamentals of the corporate entity and the investment manager of Crown Partners Fund, with a minimal correlation to interest rates. If interest rates on the Corporation's credit facilities and mortgages payable increased (decreased) by 100 basis points with all other variables held constant, finance costs on the credit facilities would increase (decrease) by $54 (2020 - $634).

- Other price risk:

  Other price risk includes other factors that affect market prices, other than currency and interest risk. This may include the ability of an investee company to profitably distribute its products. Most of the companies in which the Corporation and Crown Partners Fund invest are dependent upon a single product or industry. The Corporation and the investment manager of Crown Partners Fund manage this risk through careful due diligence prior to committing funds to the investment.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

6. Financial risk management (continued):

- Other price risk (continued):

  The Corporation's investments were concentrated in the following industries:

As at December 31,	2021					2020
	Investments at FVTPL	Stage One Investments[1]	Stage Two Investments[1]	Stage Three Investments[1]	% of Total Investments	% of Total Investments
Real estate development	-	-	-	47.7%	**47.7%**	7.2%
Logistics	-	-	-	40.2%	**40.2%**	-
Diversified	11.5%	-	-	-	**11.5%**	0.9%
Services	0.6%	-	-	-	**0.6%**	8.9%
Industrial services	-	-	-	-	**-**	28.2%
Oil and gas	-	-	-	**-**	**-**	21.9%
Energy services	-	-	-	-	**-**	12.3%
Healthcare	-	-	-	-	**-**	10.8%
Technology	-	-	-	-	**-**	6.6%
Manufacturing	-	-	-	-	**-**	3.2%
Total	**12.1%**	**-**	**-**	**87.9%**	**100.0%**	100.0%

[1] Investments in debt securities carried at amortized cost are classified as Stage One, Stage Two or Stage Three investments.

The Corporation is also exposed to equity price risk, which arises directly from the Corporation's equity securities held at FVTPL and indirectly from the equity securities held at FVTPL of the underlying investment portfolio of Crown Partners Fund. The Corporation and Crown Partners Fund actively monitor the activity and performance of the investments subject to equity price risk. If the underlying share price on the Corporation's equity securities held at FVTPL increased (decreased) by 10%, the fair value of equity securities held at FVTPL would increase by $3 (2020 - $550) and decrease by $3 (2020 - $539), respectively.

7. Share capital:

The authorized share capital of the Corporation consists of an unlimited number of common shares, each carrying the right to one vote per common share at all meetings of shareholders of the Corporation and fully participating as to dividends of the Corporation.

On April 13, 2020, the Corporation renewed its normal course issuer bid ("NCIB") to purchase up to 550,000 common shares, which represented approximately 5.8% of its issued and outstanding common shares as at March 31, 2020, over the next twelve months, or until such time as the bid was completed or terminated at the Corporation's option. Shares purchased under this bid were purchased on the open market at the prevailing market price at the time of the transaction. Common shares acquired under this bid were cancelled. Total shares purchased and cancelled under this NCIB was 393,930.

7. Share capital (continued):

On April 13, 2021, the Corporation renewed its NCIB to purchase up to 600,000 of its common shares, representing approximately 6.6% of its issued and outstanding shares as at March 31, 2021, over the next twelve months, or until such time as the bid is completed or terminated at the Corporation's option. Any shares purchased under this bid are purchased on the open market at the prevailing market price at the time of the transaction. Common shares acquired under this bid are cancelled. Total shares purchased and cancelled under the current NCIB up to December 31, 2021 was 49,600.

On June 16, 2021 the Corporation announced a substantial issuer bid ("the First Offer"), pursuant to which the Corporation offered to purchase for cancellation up to 1,800,000 of its outstanding common shares at a purchase price of $5.50 per common share in cash for an aggregate purchase price not to exceed $9,900. On July 27, 2021, the Corporation purchased and subsequently cancelled 559,854 common shares pursuant to the First Offer for total consideration of $3,079, excluding fees and expenses relating to the First Offer totaling $162.

On November 9, 2021 the Corporation announced a substantial issuer bid ("the Second Offer"), pursuant to which the Corporation offered to purchase for cancellation up to $10,000 in value of its outstanding common shares in cash by way of a "modified Dutch auction" with a tender price range from $6.50 to $7.50 per common share. On December 23, 2021, the Corporation purchased and subsequently cancelled 1,333,333 common shares pursuant to the Second Offer at a purchase price of $7.50 per share, for total consideration of $10,000, excluding fees and expenses relating to the Second Offer totaling $114.

During the year ended December 31, 2021, the Corporation purchased and cancelled a total of 1,982,317 shares (December 31, 2020 – 375,798 shares) for total consideration of $13,804 (December 31, 2020 - $1,542). The difference between the total consideration paid in respect of these purchases and the average carrying value of cancelled shares was $3,157 (December 31, 2020 - $1,714), net of fees and expenses relating to the purchases, and was recognized as a reduction to deficit.

During the year ended December 31, 2021, the Corporation issued 18,951 shares as vested share-based compensation (December 31, 2020 – 39,024 shares) (see Note 8).

On May 5, 2020, the Corporation's shareholders approved a special resolution authorizing the reduction of the stated capital of the common shares of the Corporation by $15,000 pursuant to Section 38(1) of the Canada Business Corporations Act. Effective May 5, 2020, share capital was reduced by $15,000 and $15,000 was added to contributed surplus with no net impact on total equity.

During the year ended December 31, 2021, the Corporation declared and paid dividends of $nil per share (December 31, 2020 - $0.15 per share) for a total payment of $nil (December 31, 2020 - $1,414).

8. Share-based compensation:

Effective December 20, 2019, the Corporation revised its compensation program for employees and introduced a Medium-Term Performance Unit ("MTPU") Plan under which it issued MTPUs to employees. MTPUs vested when certain performance objectives were achieved. Vested MTPUs were settled in cash or Employee Deferred Share Units ("EDSUs") on the date of vesting. Effective with the Transaction on July 13, 2021, the MTPU Plan was terminated, at which time 176,878 MTPUs with an aggregate value of $973 were settled in cash, and 336,387 MTPUs were cancelled without vesting, resulting in an expense recovery of $207. There are no MTPUs outstanding as at December 31, 2021.

The Corporation issued additional MTPUs to employees in lieu of dividends on outstanding MTPUs which vested on the same terms as the respective units for which they were awarded. The number of MTPUs issued in lieu of dividends was based on the weighted average trading price of the common shares for a ten-day period ending at the dividend payment date.

EDSUs may be issued to employees, subject to their prior election, in lieu of cash payments in full or partial satisfaction of any settlements in respect of annual incentive awards, performance fee allocations in respect of asset performance bonus pool arrangements and, prior to July 13, 2021, the vesting of MTPUs. EDSUs vest immediately upon grant and are redeemable no earlier than the date on which an employee ceases to be an employee, and no later than 367 days following such date. Upon redemption, EDSUs are settled by cash payments based on the market value of the EDSUs being redeemed, net of applicable tax withholdings. The Corporation's liability related to its EDSU settlement obligation is measured based on the market value of the Corporation's share price and is recorded in provision for deferred compensation, with the impact of any resulting changes in carrying value included in share-based compensation expense in the period. As at December 31, 2021, there are no EDSUs outstanding and $nil liability related to the EDSU settlement obligation.

A portion of compensation paid to directors consists of Director Deferred Share Units ("DDSU") issued pursuant to a DDSU Plan. DDSUs vest immediately upon grant and are redeemable no earlier than the date at which a director ceases to be a director, and no later than December 14 in the calendar year following such date. Upon redemption, DDSUs are settled by cash payments based on the market value of the DDSUs being redeemed, net of applicable tax withholdings. The Corporation's liability related to its DDSU settlement obligation is measured based on the market value of the Corporation's share price and is recorded in provision for deferred compensation, with the impact of any resulting changes in carrying value included in share-based compensation expense in the period. At December 31, 2021, the deferred compensation liability was $1,063 (December 31, 2020 - $633).

8. Share-based compensation (continued):

The Corporation issues additional DDSUs to directors and additional EDSUs to employees in lieu of dividends on outstanding DDSUs and EDSUs. These DDSUs and EDSUs vest on the same terms as the respective units for which they were awarded. The number of DDSUs and EDSUs issued in lieu of dividends is based on the weighted average trading price of the common shares for a ten-day period ending at the dividend payment date.

Prior to December 20, 2019, the Corporation issued performance share units ("PSUs") and restricted share units ("RSUs") to employees. Prior to May 8, 2018, the Corporation issued RSUs to directors. PSUs and RSUs are collectively referred to as "Share Units". On the vesting date, each Share Unit was exchanged for one common share of the Corporation, except that the holder could elect to be compensated in cash based on the fair value of such common shares to the extent necessary to pay any tax withholdings related to the vesting of the Share Units. The PSUs vested when certain performance objectives were achieved. RSUs issued to directors vested over a three-year period from the issue date provided the holder remained a director of the Corporation. In the year ended December 31, 2021, the balance of PSUs outstanding expired without vesting and the remaining RSUs issued to employees vested. There are no PSUs or RSUs outstanding as at December 31, 2021, and the Corporation does not expect to issue PSUs or RSUs in the future.

The Corporation issued additional Share Units to employees and directors in lieu of dividends on outstanding Share Units. These Share Units vested on the same date as the respective Share Units for which they were awarded. The number of Share Units issued in lieu of dividends was based on the weighted average trading price of the common shares in the five days preceding payment of a dividend.

Stock options granted are valued using a Black-Scholes formula and the expense is recognized over the vesting period. The stock options vest over a three-year period, have a term of seven years and an exercise price of $10.00. During the year ended December 31, 2021, no stock options were granted, 73,478 stock options that had vested were cancelled and 125,742 stock options that had not vested were cancelled, with all such cancellations in relation to employees no longer with the Corporation. During the year ended December 31, 2020, 534,024 stock options were granted and 83,701 stock options that had not vested were cancelled.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

8. Share-based compensation (continued):

Assumptions used to determine the fair value of stock options granted by the Corporation as at the dates on which they were granted are as follows:

Risk-free interest rate	0.8%
Dividend yield	8.8%
Expected life	7 years
Grant date price	$6.80
Exercise price	$10.00
Volatility	25.0%

The expense is recognized over the vesting period. The fair value of the options granted in 2020 was $0.13 per option. As at December 31, 2021, 94,307 (December 31, 2020 – 10,606) stock options had vested but had not been exercised, and an additional 188,614 (December 31, 2020 – 471,535) stock options which had not vested were outstanding.

The tables below detail the share-based compensation expense recognized in the year ended December 31, 2021 and 2020. Share-based compensation expense is recognized over the expected vesting period of each award.

For year ended December 31, 2021	Number outstanding at January 1, 2021	Issued in the period	Vested or exercised	Cancelled or forfeited[2]	Number outstanding at December 31, 2021	Expensed in the period
PSUs	29,411	-	-	(29,411)	-	$ (249)
RSUs	29,466	-	(29,466)	-	-	-
MTPUs [1]	286,832	237,731	(176,878)	(347,685)	-	408
DDSUs [1]	128,413	49,201	(35,933)	-	141,681	649
Total units	474,122	286,932	(242,277)	(377,096)	141,681	808
Stock options	482,141	-	-	(199,220)	282,921	(5)
Total	**956,263**	**286,932**	**(242,277)**	**(576,316)**	**424,602**	**$ 803**

[1] The MTPUs and DDSUs issued in the period were new awards.

[2] The balance of PSUs outstanding expired without vesting and the balance of MTPUs were cancelled without vesting.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

8. Share-based compensation (continued):

For year ended December 31, 2020						
	Number outstanding at January 1, 2020	**Issued in the period**	**Vested or exercised**	**Cancelled or forfeited**	**Number outstanding at December 31, 2020**	**Expensed in the period**
PSUs [1]	55,982	1,028	(27,599)	-	29,411	$ 60
RSUs [1]	59,257	1,148	(29,835)	(1,104)	29,466	102
MTPUs [2]	124,588	204,843	-	(42,599)	286,832	450
DDSUs [2]	50,916	77,497	-	-	128,413	195
Total units	290,743	284,516	(57,434)	(43,703)	474,122	807
Stock options	31,818	534,024	-	(83,701)	482,141	31
Total	**322,561**	**818,540**	**(57,434)**	**(127,404)**	**956,263**	**$ 838**

[1] The PSUs and RSUs issued in the period were issued in lieu of dividends on the underlying securities.

[2] The DDSUs and MTPUs issued in the period were new awards and units issued in lieu of dividends on the underlying securities.

9. Credit facilities:

Prior to May 7, 2021, the Corporation had a $35,000 senior secured revolving credit facility to fund the Corporation's capital commitments to each of its controlled investment funds and its investments in WireIE and Galaxy (the "Preceding Crown Credit Facility"). This facility provided financing at a variable interest rate based on Prime Rate plus 275 bps to 325 bps or on Bankers Acceptance rate plus 375 to 425 bps, had a customary set of covenants, and matured on May 31, 2021.

Effective May 7, 2021, the Corporation entered into a new senior secured corporate credit facility (the "Crown Credit Facility" and, together with the Preceding Crown Credit Facility, the "Crown Credit Facilities") that was used to fund a full repayment and cancellation of lender commitments in respect of the Preceding Crown Credit Facility. The Crown Credit Facility originally included a total lender commitment of $41,500 including a $30,000 revolving credit facility that declined to $20,000 in July 2021 upon repayment to an outstanding balance below $20,000, a $8,000 term facility that expired unused in August 2021, and a $3,500 dedicated-purpose letter of credit facility. As at December 31, 2021, the Crown Credit Facility is comprised of a $20,000 revolving credit facility to be used to fund the Corporation's capital commitments to existing investments, including its uncalled capital commitments to each of Crown Partners Fund and Crown Power Fund, potential acquisitions and for general corporate purposes, in addition to a $3,500 dedicated-purpose letter of credit facility. The revolving credit facility provides financing at a variable interest rate based on Prime Rate plus 275 to 350 bps, has a customary set of covenants, and has a maturity date of May 7, 2024, which is subject to annual extension by one or more years at the request of the Corporation.

As of December 31, 2021, $nil (December 31, 2020 - $29,100) has been drawn on the Crown Credit Facilities, and $3,173 of the dedicated-purpose letter of credit facility has been utilized. The Crown Credit Facility is secured by the Corporation's ownership interest in its subsidiaries, in its affiliate, Crown Partners Fund, and in certain other investments held by the Corporation and its subsidiaries. The carrying value of assets pledged as at December 31, 2021 was $90,762 (December 31, 2020 - $149,987).

During the year ended December 31, 2021, $1,274 (December 31, 2020 - $2,107) was expensed as finance costs relating to the Crown Credit Facilities including amortization of deferred financing costs of $270, interest of $918, standby and other lending fees of $86 (December 31, 2020 - $404, $1,554 and $149, respectively). The balance of unamortized deferred financing costs relating to the Crown Credit Facilities as at December 31, 2021 was $334 (December 31, 2020 - $149).

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

9. Credit facilities (continued):

On February 5, 2019, Crown Partners Fund entered into an agreement for a $25,000 senior secured revolving credit facility ("CCPF Credit Facility") to fund investments in mid-market corporations. On December 17, 2019, the size of the CCPF Credit Facility was increased to $50,000, on January 26, 2021, the size was reduced to $35,000, and on May 31, 2021 the size was further reduced to $25,000. The CCPF Credit Facility provided financing at a variable interest rate based on Prime Rate plus 225 bps to 325 bps or on Bankers Acceptance rate plus 325 to 425 bps and had a customary set of covenants.

Prior to July 13, 2021, Crown Partners Fund was consolidated as a subsidiary and the Corporation's credit facilities included the Crown Credit Facilities and the CCPF Credit Facility. As a result of the Transaction, the assets and liabilities of Crown Partners Fund, including the CCPF Credit Facility, and any related non-controlling interests were derecognized by the Corporation effective July 13, 2021 (see Note 5).

During the year ended December 31, 2021, $817 (December 31, 2020 - $1,964) was expensed as finance costs relating to the CCPF Credit Facility including amortization of deferred financing costs of $86, interest of $722, and standby fees of $9 (December 31, 2020 - $172, $1,717, and $75, respectively). The balance of unamortized deferred financing costs relating to the CCPF Credit Facility as at December 31, 2021 was $nil (December 31, 2020 - $340).

The following table reconciles opening balances to closing balances for the Crown Credit Facility and CCPF Credit Facility as at December 31, 2021 and December 31, 2020:

As at	December 31, 2021			
	Preceding Crown Facility	Crown Credit Facility	CCPF Credit Facility	Total
Balance drawn				
Balance, January 1, 2021	$ 29,100	$ -	$ 34,300	$ 63,400
Net advances (repayments)	(29,100)	-	(9,800)	(38,900)
Derecognition of subsidiary[1]	-	-	(24,500)	(24,500)
Balance, December 31, 2021	$ -	$ -	$ -	$ -
Deferred finance costs				
Balance, January 1, 2021	$ (149)	$ -	$ (340)	$ (489)
Amortization	190	80	86	356
Additions	(41)	(414)	(30)	(485)
Derecognition of subsidiary[1]	-	-	284	284
Balance, December 31, 2021	$ -	$ (334)	$ -	$ (334)
Carrying value – December 31, 2021	**$ -**	**$ (334)**	**$ -**	**$ (334)**

1 As a result of the Transaction, the assets and liabilities of Crown Partners Fund, and any related non-controlling interests, were derecognized by the Corporation effective July 13, 2021 (see Note 5).

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

9. Credit facilities (continued):

As at	December 31, 2020		
	Preceding Crown Credit Facility	CCPF Credit Facility	Total
Balance drawn			
Balance, January 1, 2020	$ 14,300	$ 25,000	$ 39,300
Net advances (repayments)	14,800	9,300	24,100
Balance, December 31, 2020	$ 29,100	$ 34,300	$ 63,400
Deferred finance costs			
Balance, January 1, 2020	$ (425)	$ (469)	$ (894)
Amortization	404	172	576
Additions	(128)	(43)	(171)
Balance, December 31, 2020	$ (149)	$ (340)	$ (489)
Carrying value – December 31, 2020	**$ 28,951**	**$ 33,960**	**$ 62,911**
Current portion	(28,951)	-	(28,951)
Non-current portion	**$ -**	**$ 33,960**	**$ 33,960**

10. Convertible Debentures:

On June 13, 2018 the Corporation issued $20,000 of 6.0% convertible unsecured subordinated debentures (the “Convertible Debentures”) for net proceeds of $18,703 with maturity date of June 30, 2023 (the “Debenture Maturity Date”). Interest on the Convertible Debentures is payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2018. The Convertible Debentures are direct, subordinated unsecured obligations of the Corporation, subordinated to the Crown Credit Facility.

Each $1 principal amount of Convertible Debenture is convertible at the option of the holder into approximately 72.99 common shares of the Corporation (representing a conversion price of $13.70 per share). The Convertible Debentures were not redeemable on or before June 30, 2021, except in limited circumstances following a Change of Control (as defined in the Trust Indenture). After June 30, 2021, but prior to June 30, 2022, the Convertible Debentures may be redeemed in whole or in part from time to time at the Corporation’s option, on not more than 60 days and not less than 30 days prior written notice, at a price equal to the aggregate principal amount plus accrued and unpaid interest, provided that the weighted average price of the common shares during the 20 consecutive trading days ending on the fifth day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after June 30, 2022 and prior to the Debenture Maturity Date, the Convertible Debentures may be redeemed in whole or in part from time to time at the Corporation’s option at a price equal to their aggregate principal amount plus accrued and unpaid interest.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

10. Convertible Debentures (continued):

On a Redemption Date (as defined in the Trust Indenture) or on the Debenture Maturity Date, as applicable, the Corporation may, at its option, elect to satisfy its obligation to pay the aggregate principal amount of and premiums on (if any) the Convertible Debentures by issuing common shares. Payment for such Convertible Debentures, subject to the election, would be satisfied by delivering that number of common shares obtained by dividing the aggregate principal amount of the outstanding Convertible Debentures which are to be redeemed, or which will mature, by 95% of the Weighted Average Price of the Common Shares for the 20 consecutive trading days ending five trading days prior to the date fixed for redemption or the Maturity Date, as the case may be. Any accrued and unpaid interest will be paid in cash.

As at	**December 31, 2021**			
		Liability Component		**Equity Component**
Balance, January 1, 2021	$	18,932	$	483
Effective interest on Convertible Debentures		402		-
Balance, December 31, 2021	**$**	**19,334**	**$**	**483**

As at	**December 31, 2020**			
		Liability Component		**Equity Component**
Balance, January 1, 2020	$	18,562	$	483
Effective interest on Convertible Debentures		370		-
Balance, December 31, 2020	**$**	**18,932**	**$**	**483**

During the year ended December 31, 2021, $1,599 (December 31, 2020 - $1,572) was expensed as finance costs relating to the Convertible Debentures including amortization of deferred financing costs of $402 and interest of $1,197 (December 31, 2020 - $370 and $1,202, respectively).

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

10. Convertible Debentures (continued):

The following table reconciles total finance costs to costs recognized in relation to the Crown Credit Facilities, the CCPF Credit Facility, the Convertible Debentures, promissory notes payable and the Corporation's lease obligations, including its office leases, vehicle leases and network co-location arrangements for the years ended December 31, 2021 and December 31, 2020:

For the year ended	December 31, 2021					
	Crown Credit Facilities	CCPF Credit Facility	Convertible Debentures	Promissory Notes	Lease and other Obligations	Total
Interest	$ 918	$ 722	$ 1,197	$ 28	$ 357	$ 3,222
Standby and other lending fees	86	9	-	-	-	95
Amortization of deferred finance costs	270	86	402	-	-	758
Total Finance Costs	**$ 1,274**	**$ 817**	**$ 1,599**	**$ 28**	**$ 357**	**$ 4,075**

For the year ended	December 31, 2020					
	Preceding Crown Credit Facility	CCPF Credit Facility	Convertible Debentures	Promissory Notes	Lease Obligations	Total
Interest	$ 1,554	$ 1,717	$ 1,202	$ 276	$ 433	$ 5,182
Standby and other lending fees	149	75	-	-	-	224
Amortization of deferred finance costs	404	172	370	-	-	946
Total Finance Costs	**$ 2,107**	**$ 1,964**	**$ 1,572**	**$ 276**	**$ 433**	**$ 6,352**

11. Provision for performance bonus:

The Corporation has asset performance bonus pool ("APBP") arrangements for certain individuals, primarily employees ("APBP Participants"). For certain investment funds of which the Corporation is the general partner, 20% of investment returns in excess of an annual rate of return of 8% earned by the fund accrue to the Corporation as performance fee distributions. The Corporation's current compensation policy provides that 50% of such performance fees will be distributed to APBP Participants with the other 50% retained by the Corporation.

Allocation of the units of the APBP relating to Crown Partners Fund commenced in 2015, with a final allocation occurring on the Transaction Date. Of performance fees recognized by Crown Partners Fund, 50% is allocated to employees.

Allocation of the units of the APBP relating to Crown Power Fund commenced in 2019 and will continue until the expiration of the investment fund's term in 2026, subject to annual one-year extensions, with 50% of performance fees recognized by Crown Power Fund allocated to employees.

Performance bonus amounts will be paid to APBP Participants in accordance with the Limited Partnership Agreement of the investment fund, upon declaration by the General Partner of the investment fund.

As at December 31, 2021, the Corporation had accrued a provision for performance bonus payable of $4,597 (see Note 5) relating to the APBP of Crown Partners Fund (December 31, 2020 - $3,239).

As at December 31, 2021, no amounts have been accrued in relation to the APBP of Crown Power Fund.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

12. Related party transactions:

(a) Key management personnel compensation:

Key management personnel are those persons having authority over the planning, directing and controlling activities of the Corporation, and effective as of the Transaction Date, include the Directors, President and Chief Executive Officer and the Chief Financial Officer. Prior to the Transaction Date, key management personnel also included the Chief Compliance Officer, Chief Investment Officer and Chief Operating Officer.

Directors are paid a retainer, of which at least 50% must be paid as DDSUs and the balance can be received as either additional DDSUs or cash at the Director's discretion. Prior to May 2018, the Corporation issued RSUs to directors. RSUs issued to Directors vested over a three-year period from the issue date provided the holder remained a director of the Corporation.

Key management personnel compensation for the years ended December 31, 2021 and 2020 is comprised of:

For the years ended December 31,	2021	2020
Salaries and benefits	$ 1,404	$ 2,338
Share-based compensation	738	710
Performance bonus expense[1] (Note 11)	1,006	847
	$ 3,148	$ 3,895

1 For the years ended December 31, 2020 and 2021, represents allocations of accrued performance bonus expense, not cash compensation.

(b) Other related party transactions:

Pursuant to a limited partnership agreement, Crown Power Fund pays management fees to the Corporation for management services provided. Prior to the Transaction Date, and pursuant to a limited partnership agreement, Crown Partners Fund paid management fees to the Corporation for management services provided. Management fees paid to the Corporation by Crown Power Fund and, prior to the Transaction Date, by Crown Partners Fund are eliminated on consolidation.

At December 31, 2021, accounts receivable included $500 due from NCOF LP (2020 - $494).

In connection with the Transaction, the President and Chief Executive Officer, Chief Compliance Officer and Chief Investment Officer acquired a 50% equity interest in CPCP for aggregate consideration of $100, equivalent to consideration paid by the unrelated third parties to the transaction, and the President and Chief Executive Officer of the Corporation retains a 20% equity interest in CPCP. The Corporation retained a 12.5% equity interest as at December 31, 2021.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

13. Non-controlling interests (NCI):

As at	**December 31, 2021**		
	Crown Partners Fund	**Crown Power Fund**	**Total**
NCI percentage	0.0%[1]	56.8%	
Beginning balance, January 1, 2021	$ 115,603	$ 23,903	$ 139,506
Allocation of net income	5,585	523	6,108
Distributions	(4,845)	(5,630)	(10,475)
Acquisition of units[2]	4,381	-	4,381
Derecognition of subsidiary[3]	(120,724)	-	(120,724)
Balance, December 31, 2021	**$ -**	**$ 18,796**	**$ 18,796**

1 NCI percentage in Crown Partners Fund increased from 61.2% to 63.5% effective March 31, 2021 and decreased to 0.0% as at July 13, 2021.

2 Relates to the sale by the Corporation of units to non-controlling interests effective March 31, 2021.

3 As a result of the Transaction, the assets and liabilities of Crown Partners Fund, and any related non-controlling interests, were derecognized by the Corporation effective July 13, 2021 (see Note 5).

As at	**December 31, 2020**		
	Crown Partners Fund	**Crown Power Fund**	**Total**
NCI percentage	61.2%[1]	56.8%	
Beginning balance, January 1, 2020	$ 110,010	$ 12,986	$ 122,996
Allocation of net income (loss)	13,665	(167)	13,498
Contributions	11,880	11,084	22,964
Distributions	(19,948)	-	(19,948)
Redemption of units[2]	(4)	-	(4)
Balance, December 31, 2020	**$ 115,603**	**$ 23,903**	**$ 139,506**

1 NCI percentage in Crown Partners Fund decreased from 63.0% to 61.2% effective January 1, 2020.

2 Relates to a redemption of units by non-controlling interests effective December 31, 2019.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

14. Net change in non-cash working capital:

Year ended December 31,		2021		2020
Accounts receivable	$	3,698	$	(1,758)
Prepaid expenses		582		(315)
Inventory		(741)		(183)
Lease earn-out note receivable		(508)		-
Accounts payable and accrued liabilities		(700)		113
Contingent consideration		(2,651)		-
Total	**$**	**(320)**	**$**	**(2,143)**

15. Acquisition of subsidiaries:

(a) Acquisition of Lumbermens:

(i) Consideration transferred:

On May 6, 2021, the Corporation acquired 100% of the common shares and voting interests of Lumbermens, an Ontario-based construction credit reporting company, whose assets primarily include property and equipment and credit reporting customer contracts.

For the period from May 6, 2021 to December 31, 2021, Lumbermens contributed revenue of $640 and loss before income taxes of $(25) to the Corporation's results. If the acquisition had occurred on January 1, 2021, management estimates that consolidated revenue and consolidated net income for the year ended December 31, 2021 would have been $47,525 and $1,542, respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2021.

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

		May 6, 2021
Cash	$	320
Fair value of investment in a Canadian debt security[1]		-
Total consideration transferred	**$**	**320**

1 As partial consideration for the acquisition of Lumbermens, the Corporation agreed to the partial settlement of a Canadian debt security outstanding to the parent company of Lumbermens, with whom the Corporation had a previous lending relationship, and whose fair value had previously been written down to $nil by the Corporation.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

15. Acquisition of subsidiaries (continued):

(a) Acquisition of Lumbermens (continued):

(ii) Acquisition-related costs:

The Corporation incurred legal fees of $174 in relation to this acquisition. These costs have been included in general and administration expenses.

(iii) Identifiable assets acquired and liabilities assumed:

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

		May 6, 2021
Cash and cash equivalents	$	-
Accounts receivable		156
Prepaid expenses and deposits		6
Property and equipment		347
Credit reporting customer contracts[1]		1,003
Accounts payable and accrued liabilities		(992)
Deferred income tax liability		(127)
Total identifiable net assets acquired	**$**	**393**

1 For the year ended December 31, 2021, $100 was recorded as depreciation expense. The balance at December 31, 2021 is $903.

15. Acquisition of subsidiaries (continued):

(a) Acquisition of Lumbermens (continued):

(iii) Identifiable assets acquired and liabilities assumed (continued):

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Accounts receivable	*Income technique:* The fair value of accounts receivable is equal to the gross contractual amounts receivable and reflects the best estimates as at the acquisition date of the contractual cash flows expected to be collected.
Property and equipment	*Estimated depreciated replacement cost:* The fair value of property and equipment considers the original cost and depreciated over estimated economic life.
Credit reporting customer contracts	*Multi-period excess earnings method:* The fair value of credit reporting customer contracts considers the present value of net cash flows in respect of credit reporting customer contracts and employs the following key assumptions: (i) future cash flows on existing contracts; (ii) expected contract durations and renewals; (iii) a risk-adjusted discount rate; and (iv) cash flows related to contributory assets (e.g. equipment, working capital and an assembled work force).

Accounts receivable comprise gross contractual amounts due of $158, of which $2 was expected to be uncollectable as at the date of acquisition.

The fair values of consideration transferred, accounts receivable, prepaid expenses and deposits, property and equipment, credit reporting customer contracts and the deferred tax liability assumed have been measured on a provisional basis, pending completion of the related valuations.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

(iv) Gain on acquisition:

		May 6, 2021
Fair value of identifiable net assets	$	393
Consideration transferred		(320)
Gain on acquisition	**$**	**73**

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

15. Acquisition of subsidiaries (continued):

(b) Acquisition of PSCC:

(i) Consideration transferred:

On March 1, 2021, the Corporation acquired 100% of the common shares and voting interests of PSCC, whose assets include entitlements to future cash flows in relation to the sale of its interest in a grocery-anchored community retail plaza located in Hamilton, Ontario, plus adjacent land, in exchange for consideration of the extinguishment of a portion of investments in Canadian debt securities.

For the period from March 1, 2021 to December 31, 2021, PSCC contributed revenue of $nil and earnings before income taxes of $(1,518) to the Corporation's results. If the acquisition had occurred on January 1, 2021, management estimates that consolidated revenue and consolidated net income for the year ended December 31, 2021 would have been $47,396 and $2,010, respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2021.

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

		March 1, 2021
Fair value of investment in a Canadian debt security[1]	$	9,766
Fair value of pre-existing investment in a Canadian debt security – PSCC[2]		625
Total consideration transferred	**$**	**10,391**

1 As partial consideration for the acquisition of PSCC, the Corporation agreed to the partial settlement of a Canadian debt security outstanding to the parent company of PSCC, with whom the Corporation had a previous lending relationship.

2 The Corporation and PSCC were parties to a promissory note contract under which the Corporation advanced amounts to satisfy PSCC's working capital requirements at the Corporation's discretion. This pre-existing relationship was effectively terminated when the Corporation acquired PSCC (see Note 15(b)(iv)).

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

15. Acquisition of subsidiaries (continued):

(b) Acquisition of PSCC (continued):

(ii) Acquisition-related costs:

The Corporation incurred legal fees of $27 in relation to this acquisition. These costs have been included in general and administration expenses.

(iii) Identifiable assets acquired and liabilities assumed:

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

		March 1, 2021
Cash and cash equivalents	$	3
Accounts receivable		293
Prepaid expenses and deposits		1,120
Property and equipment under development and related deposits		8,300
Lease earn-out note receivable		5,940
Mortgage payable		(3,300)
Accounts payable and accrued liabilities		(1,337)
Deferred income tax liability		(628)
Total identifiable net assets acquired	**$**	**10,391**

15. Acquisition of subsidiaries (continued):

(b) Acquisition of PSCC (continued):

(iii) Identifiable assets acquired and liabilities assumed (continued):

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Accounts receivable	*Income technique:* The fair value of accounts receivable is equal to the gross contractual amounts receivable and reflects the best estimates as at the acquisition date of the contractual cash flows expected to be collected.
Property and equipment under development and related deposits	*Market comparison technique:* The fair value of property under development considers prices and other relevant information generated by market transactions involving comparable assets to estimate fair value.
Lease earn-out note receivable	*Expected cash flows:* The fair value of the lease earn-out note receivable considers the expected future payments, net of expected costs, in relation to this arrangement.
Mortgage payable	*Cost approach*: The fair value of the mortgage payable is equal to the gross contractual amounts payable and reflects the best estimate at the acquisition date of the contractual cashflows expected to be paid.

Accounts receivable comprise gross contractual amounts due of $293, of which $nil was expected to be uncollectable as at the date of acquisition.

The fair values of consideration transferred, accounts receivable, property under development and the deferred tax liability assumed have been measured on a provisional basis, pending completion of the related valuations.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

For the period between the acquisition of PSCC on March 1, 2021 and December 31, 2021, $(363) was recognized in net income for the period as a remeasurement of financial instruments, due to a revised estimate of prepaid expenses and deposits.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

15. Acquisition of subsidiaries (continued):

(b) Acquisition of PSCC (continued):

(iv) Settlement of pre-existing relationship:

The Corporation and PSCC were parties to a promissory note contract under which the Corporation advanced amounts to satisfy PSCC's working capital requirements at the Corporation's discretion. This pre-existing relationship was effectively terminated when the Corporation acquired PSCC. The fair value of the loan at the date of acquisition was $625. The settlement of the promissory note contract resulted in a realized loss on investment of $130, which was offset by a reduction in the allowance for credit losses of $130.

(v) Goodwill:

		March 1, 2021
Fair value of identifiable net assets	$	10,391
Consideration transferred		(10,391)
Goodwill	**$**	**-**

(c) Acquisition of Galaxy:

(i) Consideration transferred:

On September 15, 2020, the Corporation acquired 100% of the common shares and voting interests of Galaxy, an Ontario-based network services company that provides connectivity to remote and underserviced enterprise customers across Canada. The assumptions for acquisition have been revised as follows and recorded retrospectively in these consolidated financial statements. The impact on opening deficit was an increase of $109, relating to incremental depreciation in respect of a retrospective adjustment made to network services contracts, partially offset by a deferred income tax recovery in respect of the incremental depreciation of network services contracts.

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

		September 15, 2020
Cash	$	543
Vendor Promissory Note payable		581
Contingent consideration		3,920
Total consideration transferred	**$**	**5,044**

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

15. Acquisition of subsidiaries (continued):

(c) Acquisition of Galaxy (continued):

(i) Consideration transferred (continued):

As partial consideration for the equity acquired from the previous shareholders, the Corporation has agreed to pay additional consideration on an annual basis at a predefined percentage of cumulative revenue and earnings of Galaxy, in accordance with prescribed dollar thresholds starting in 2021 for a four-year period, and not to exceed a $4,250 aggregate amount. As a result of new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition, the Corporation has revised the fair value of contingent consideration as at the acquisition date to $3,920 from the initial estimated fair value of $860.

(ii) Identifiable assets acquired and liabilities assumed:

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

		September 15, 2020
Cash and cash equivalents	$	39
Accounts receivable		1,658
Inventory		628
Network services contracts		5,614
Prepaid expenses and deposits		109
Property and equipment		2,044
Debt		(370)
Accounts payable and accrued liabilities		(2,189)
Network Services Vendor Note payable		(1,444)
Lease obligations		(458)
Deferred tax liability		(880)
Total identifiable net assets acquired	**$**	**4,751**

15. Acquisition of subsidiaries (continued):

(c) Acquisition of Galaxy (continued):

(ii) Identifiable assets acquired and liabilities assumed (continued):

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Accounts receivable	*Income technique:* The fair value of accounts receivable is equal to the gross contractual amounts receivable and reflects the best estimates as at the acquisition date of the contractual cash flows expected to be collected.
Network services contracts	*Multi-period excess earnings method:* The fair value of network services contracts considers the present value of net cash flows in respect of network services contracts and employs the following key assumptions: (i) future cash flows on existing contracts; (ii) expected contract durations and renewals; (iii) a risk-adjusted discount rate; and (iv) cash flows related to contributory assets (e.g. network services equipment, working capital and an assembled work force).
Property and equipment	*Cost technique:* The fair value of property, office equipment and network services equipment considers depreciated replacement cost, which reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Inventory	*Market comparison technique:* The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

Accounts receivable comprise gross contractual amounts due of $1,685, of which $27 was expected to be uncollectable as at the date of acquisition.

As a result of new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition, adjustments were made in relation to the acquisition date fair value of network services contracts and the measurement of the related deferred tax liability to $5,614 and $(880), respectively, from the initial estimated fair values of $1,487 and $214, respectively.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

15. Acquisition of subsidiaries (continued):

(c) Acquisition of Galaxy (continued):

(iii) Goodwill:

Goodwill arising from the acquisition has been recognized as follows:

		September 15, 2020
Fair value of identifiable net assets	$	4,751
Consideration transferred		(5,044)
Goodwill	**$**	**293**

As a result of new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition, adjustments were made in relation to the valuation of goodwill from the initial estimation of $266 to $293. The goodwill is attributable mainly to the technical skills of Galaxy's work force and the synergies expected to be achieved from integrating the company into the Corporation's existing network services operations. None of the goodwill recognized is expected to be deductible for tax purposes.

16. Acquisition of PBC assets:

(a) Consideration transferred:

Effective April 15, 2021, the Corporation acquired the net assets of PBC, mostly comprised of land located in Barrie, Ontario, and 100% of the common shares and voting rights of PBC. The following table summarizes the acquisition date fair value of each major class of consideration transferred:

		April 15, 2021
Fair value of investment in a Canadian debt security[1]	$	2,677
Fair value of pre-existing investment in a Canadian debt security – PBC[2]		2,594
Total consideration transferred	**$**	**5,271**

1 As partial consideration for the acquisition of PBC assets, the Corporation agreed to the partial settlement of a Canadian debt security outstanding to the parent company of PBC, with whom the Corporation had a previous lending relationship.

2 The Corporation and PBC were parties to a promissory note contract under which the Corporation advanced amounts to satisfy PBC's working capital requirements at the Corporation's discretion. This pre-existing relationship was effectively terminated when the Corporation acquired PBC.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

16. Acquisition of PBC assets (continued):

(b) Identifiable assets acquired and liabilities assumed:

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

		April 15, 2021
Cash and cash equivalents	$	29
Accounts receivable		637
Prepaid expenses and deposits		805
Property and equipment under development and related deposits		13,567
Mortgage payable		(9,150)
Accounts payable and accrued liabilities		(617)
Total identifiable net assets acquired	**$**	**5,271**

The Corporation accounts for this transaction as an asset acquisition on account of the application of a concentration test permitting the simplified assessment as to whether an acquired set of activities and assets is a business. The optional concentration test was met as substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset, being property and equipment under development and related deposits.

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Accounts receivable	*Income technique:* The fair value of accounts receivable is equal to the gross contractual amounts receivable and reflects the best estimates as at the acquisition date of the contractual cash flows expected to be collected.
Property and equipment under development and related deposits	*Market comparison technique:* The fair value of property under development considers prices and other relevant information generated by market transactions involving comparable assets to estimate fair value.
Mortgage payable	*Cost approach*: The fair value of the mortgage payable is equal to the gross contractual amounts payable and reflects the best estimate at the acquisition date of the contractual cashflows expected to be paid.

Accounts receivable comprise gross contractual amounts due of $637, of which $nil was expected to be uncollectable as at the date of acquisition.

17. Segment information:

Operating segments are components of an entity that engage in business activities from which they earn revenues and incur expenses. The Corporation has five reportable segments. These reportable segments offer different services and are managed separately because they invest in different asset classes, serve different customer types, require different operational strategies and involve different regulatory treatment. During the year ended December 31, 2021, the Corporation revised its reportable segments to better characterize its strategic divisions and the prior period comparative information has been restated to conform to the current period's presentation. These changes have no impact to prior period earnings and no impact to the consolidated statements of financial position.

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Specialty finance	Investments in Crown Partners Fund and in corporate debt and equity securities. Prior to July 13, 2021, included the origination and management of alternative lending investment funds.
Network services	Provision of network services segment in relation to the deployment and management of carrier-grade data networks.
Distributed Power	Origination and management of, and investment in, distributed power investments.
Real estate	Investment in, and development of, real estate development assets.
Corporate and other	Includes the Corporation's credit reporting subsidiary, in addition to assets, liabilities, revenues and expenses that do not pertain directly to other reportable segments.

Information presented in respect of reportable segments for the years ended December 31, 2021 and December 31, 2020 is presented in the tables below. Segment income (loss) before income taxes is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

17. Segment information (continued):

For the year ended			**December 31, 2021**			
Reportable segments	**Specialty finance**	**Network services**	**Distributed power**	**Real estate**	**Corporate and other**	**Total**
External revenues[1]	$ 17,320	$ 27,643	$ 1,857	$ -	$ 812	$ 47,632
Net realized gain (loss) on investment	197	-	-	(130)	19	86
Net change in unrealized loss of investments	(322)	-	-	-	-	(322)
Revenues	**17,195**	**27,643**	**1,857**	**(130)**	**831**	**47,396**
Segment income (loss) before income taxes[2]	**7,061**	**4,230**	**358**	**(2,242)**	**(7,026)**	**2,381**
Cost of network services	-	12,986	-	-	-	12,986
Financing costs	817	328	-	-	2,930	4,075
Depreciation	-	3,610	-	-	270	3,880
Income taxes (recovery) – current	-	889	-	-	(431)	458
Income taxes (recovery) – deferred	-	101	(12)	-	(176)	(87)
Other material non-cash items:						
Provision for expected credit loss	2,388	36	5	(130)	-	2,299
Performance bonus expense	1,358	-	-	-	-	1,358
Impairment of property and equipment	-	237	421	-	-	658
Remeasurement of financial instruments	-	330	-	2,209	-	2,539
Gain on derecognition of subsidiary	1,588	-	-	-	-	1,588

1 External revenues of the "specialty finance" segment includes interest revenue of $11,776, share of earnings of Crown Partners Fund of $4,728 and fees and other income of $816. Revenues from three customers of the Corporation's "network services" segment represented approximately $11,463 of the Corporation's total revenues.

2 Total segment income (loss) before income taxes represents the Corporation's consolidated income (loss) before income taxes. Management fee revenue earned from certain consolidated entities is eliminated on consolidation from segment income (loss) before income taxes attributable to the "corporate and other" segment. The related management fee expense is eliminated on consolidation from segment income (loss) before income taxes attributable to the "specialty finance" and "distributed power" segments.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

17. Segment information (continued):

For the year ended	December 31, 2020					
Reportable segments	**Specialty finance**	**Network services**	**Distributed power**	**Real estate**	**Corporate and other**	**Total**
External revenues[1]	$ 28,207	$ 12,116	$ 1,184	$ -	$ 131	$ 41,638
Net realized gain (loss) on investment	199	449	-	-	(54)	594
Net change in unrealized gain of investments	2,558	-	-	-	34	2,592
Revenues	**30,964**	**12,565**	**1,184**	**-**	**111**	**44,824**
Segment income (loss) before income taxes[2]	**(5,064)**	**(4,094)**	**(229)**	**-**	**(6,858)**	**(16,245)**
Cost of network services	-	5,790	-	-	-	5,790
Financing costs	2,240	409	-	-	3,703	6,352
Depreciation	-	5,476	-	-	137	5,613
Income taxes (recovery) – current	-	-	-	-	(2,536)	(2,536)
Income taxes (recovery) – deferred	-	85	(31)	-	(359)	(305)
Other material non-cash items:						
Provision for expected credit loss	15,318	351	85	-	-	15,754
Performance bonus expense	1,143	-	-	-	-	1,143
Impairment of property and equipment	-	904	-	-	-	904
Impairment of distributed power equipment under development and related deposits	-	-	1,057	-	-	1,057
Impairment of network services contracts	-	1,095	-	-	-	1,095

1 External revenues of the "specialty finance" segment include interest revenue of $27,451 and $1,638 fees and other income. Revenues from two customers of the Corporation's "network services" segment represented approximately $6,627 of the Corporation's total revenues.

2 Total segment income (loss) before income taxes represents the Corporation's consolidated income (loss) before income taxes. Management fee revenue earned from certain consolidated entities is eliminated on consolidation from segment income (loss) before income taxes attributable to the "corporate and other" segment. The related management fee expense is eliminated on consolidation from segment income (loss) before income taxes attributable to the "specialty finance" and "distributed power" segments. Interest revenue earned on certain intercompany debt amounts is eliminated on consolidation from segment income (loss) before income taxes attributable to the "specialty finance" segment. The related interest expense is eliminated on consolidation from segment income (loss) before income taxes attributable to the "network services" segment.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

17. Segment information (continued):

As at	December 31, 2021					
Reportable segments	**Specialty finance**	**Network services**	**Distributed power**	**Real estate**	**Corporate and other**	**Total**
Segment assets[1,2]	$ 51,695	$ 19,752	$ 32,354	$ 28,251	$ 8,063	$ 140,115
Segment liabilities[1,2]	4,597	9,642	18,996	13,375	24,430	71,040
Additions to property and equipment	-	1,068	128	-	-	1,196

1 Total segment assets and total segment liabilities represent the consolidated assets and liabilities of the Corporation, respectively.

2 Intercompany debt amounts are eliminated on consolidation from segment assets and segment liabilities presented above.

As at	December 31, 2020					
Reportable segments	**Specialty finance**	**Network services**	**Distributed power**	**Real estate**	**Corporate and other**	**Total**
Segment assets[1,2]	$ 252,923	$ 18,638	$ 41,642	$ -	$ 12,620	$ 325,823
Segment liabilities[1,2]	163,909	9,699	24,378	-	46,663	244,649
Additions to property and equipment	-	2,509	141	-	24	2,674

1 Total segment assets and total segment liabilities represent the consolidated assets and liabilities of the Corporation, respectively.

2 Intercompany debt amounts are eliminated on consolidation from segment assets and segment liabilities presented above.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

18. Property and equipment:

As at	December 31, 2021				
	Network Co-location	Network Service Equipment	Office and Other Equipment	Distributed Power Equipment	**Total**
Cost					
Beginning balance, January 1, 2021	$ 4,096	$ 10,444	$ 1,446	$ 6,901	$ 22,887
Additions (disposals)	-	1,063	3	130	1,196
Additions through acquisition	-	-	347	-	347
Balance, December 31, 2021	$ 4,096	$ 11,507	$ 1,796	$ 7,031	$ 24,430
Accumulated depreciation and impairment of equipment					
Beginning balance, January 1, 2021	$ (1,805)	$ (4,326)	$ (668)	$ (137)	$ (6,936)
Depreciation	(933)	(1,272)	(352)	-	(2,557)
Impairment of equipment	-	(237)	-	(421)	(658)
Balance, December 31, 2021	$ (2,738)	$ (5,835)	$ (1,020)	$ (558)	$ (10,151)
Carrying value – December 31, 2021	**$ 1,358**	**$ 5,672**	**$ 776**	**$ 6,473**	**$ 14,279**

As at	December 31, 2020				
	Network Co-location	Network Service Equipment	Office and Other Equipment	Distributed Power Equipment	**Total**
Cost					
Beginning balance, January 1, 2020	$ 4,307	$ 6,058	$ 990	$ 5,551	$ 16,906
Additions (disposals)	(211)	2,720	24	141	2,674
Additions through acquisition	-	1,666	432	-	2,098
Reclassification from distributed power equipment under development and related deposits	-	-	-	1,209	1,209
Balance, December 31, 2020	$ 4,096	$ 10,444	$ 1,446	$ 6,901	$ 22,887
Accumulated depreciation and impairment of equipment					
Beginning balance, January 1, 2020	$ (654)	$ (833)	$ (406)	$ (137)	$ (2,030)
Depreciation	(1,151)	(2,589)	(262)	-	(4,002)
Impairment of equipment	-	(904)	-	-	(904)
Balance, December 31, 2020	$ (1,805)	$ (4,326)	$ (668)	$ (137)	$ (6,936)
Carrying value – December 31, 2020	**$ 2,291**	**$ 6,118**	**$ 778**	**$ 6,764**	**$ 15,951**

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

18. Property and equipment (continued):

During the year ended December 31, 2021, the Corporation recognized impairment losses totaling $658 (December 31, 2020 - $904) with respect to property and equipment for which recoverable value was estimated to be lower than carrying value, in certain cases due to obsolescence.

19. Network services contracts:

As at	December 31, 2021	
Carrying amount		
Balance, January 1, 2021	$	9,493
Additions (disposals)		-
Balance, December 31, 2021	$	9,493
Accumulated depreciation and impairment of equipment		
Beginning balance, January 1, 2021[1]	$	(3,307)
Depreciation		(1,223)
Balance, December 31, 2021	$	(4,530)
Carrying value – December 31, 2021	**$**	**4,963**

1 The balance as at December 31, 2021 includes accumulated impairment of network service contracts of $1,095.

As at	December 31, 2020	
Carrying amount		
Balance, January 1, 2020	$	3,972
Additions through acquisition[1]		5,521
Balance, December 31, 2020	$	9,493
Accumulated depreciation and impairment of equipment		
Beginning balance, January 1, 2020	$	(601)
Depreciation[1]		(1,611)
Impairment of network services contracts		(1,095)
Balance, December 31, 2020	$	(3,307)
Carrying value – December 31, 2020	**$**	**6,186**

1 As a result of new information obtained within one year of the date of acquisition of Galaxy about facts and circumstances that existed as the date of acquisition, the Corporation revised the fair value of network services contracts added in respect of that acquisition – see *Note 15(c)(ii).*

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

20. Property and equipment under development and related deposits:

Reconciliation of carrying amount:

As at	December 31, 2021		
	Property under development	Distributed power equipment under development and related deposits	**Total**
Carrying amount			
Balance, January 1, 2021	$ -	$ 16,038	$ 16,038
Additions	791	5,785	6,576
Additions through acquisition	21,867	-	21,867
Reclassification to net investment in leased distributed power equipment	-	(905)	(905)
Disposition	-	(9,957)	(9,957)
Balance, December 31, 2021	**$ 22,658**	**$ 10,961**	**$ 33,619**

As at	December 31, 2020		
	Property under development	Distributed power equipment under development and related deposits	**Total**
Carrying amount			
Balance, January 1, 2020	$ -	$ 10,540	$ 10,540
Additions	-	16,285	16,285
Reclassification to net investment in leased distributed power equipment	-	(8,521)	(8,521)
Reclassified to property and equipment	-	(1,209)	(1,209)
Impairment of equipment under development	-	(1,057)	(1,057)
Balance, December 31, 2020	**$ -**	**$ 16,038**	**$ 16,038**

Additions to distributed power equipment under development and related deposits includes capitalized interest of $688 for the year ended December 31, 2021 (December 31, 2020 - $1,037).

21. Commitments and contingencies:

The following is a summary of the Corporation's financial commitments as at December 31, 2021:

As at December 31, 2021 the Corporation, through Crown Power Fund, had committed to contracts valued at $27,813 in relation to the construction of power generation assets, of which $10,628 was funded and included in property and equipment under development and related deposits, $4,355 was funded and included in property and equipment and $12,830 was unfunded, of which $7,292 was attributable to non-controlling interests.

The Corporation, through CCFC, has an aggregate commitment to provide funding to Crown Partners Fund and CCF IV Investment of $16,028 as at December 31, 2021. This commitment is in respect of limited partnership units held by the Corporation and is pursuant to the related limited partnership agreements. The investment period of each of Crown Partners Fund and CCF IV Investment expired on December 31, 2021, and the assets of these funds will be managed down with a view to dissolving the funds in an orderly fashion prior to the end of their terms on September 30, 2025. After the December 31, 2021 expiration of the investment period of these funds, additional committed capital may be called but only to extent required for certain purposes including to cover operating deficits and, to a maximum of 20% of the committed capital, to make follow-on investments. The Corporation does not expect any future funding requirements in respect of its uncalled capital commitments to Crown Partners Fund and CCF IV Investment.

The Corporation, through CCFC, has an aggregate commitment to provide funding to Crown Power Fund of $10,195 as at December 31, 2021. This commitment is in respect of limited partnership units held by the Corporation and is pursuant to the related limited partnership agreement.

The Corporation, through WireIE, has an aggregate commitment with respect to its use of broadband network infrastructure of $645 as at December 31, 2021.

The Corporation, through Galaxy has an aggregate commitment with respect to its use of broadband network infrastructure of $4,293 as at December 31, 2021.

The Corporation has provided a guarantee of the financial obligations of Go Direct America Inc. in respect of the lease of a logistics facility in Groveport, Ohio. This lease has a 63-month term, is expected to commence in March 2022, and represents an aggregate commitment over its term of US$6,700 in respect of base rent payments. This guarantee was provided in the year ended December 31, 2021 in relation to the Corporation's plan to acquire an equity interest in the parent company of Go Direct America Inc.

The Corporation has guaranteed repayment of loans advanced to participants in the Corporation's executive share purchase plan (the "Share Purchase Plan") by a third-party financial institution pursuant to the Share Purchase Plan which totaled $1,656 as at December 31, 2021 (December 31, 2020 - $2,244), and which are secured by common shares of the Corporation owned by such participants with a value of $2,979 as at December 31, 2021 (December 31, 2020 - $1,958).

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

21. Commitments and contingencies (continued):

From time to time, the Corporation is party to legal proceedings. Based on current knowledge, the Corporation does not expect the outcome of such proceedings to have a material effect on the consolidated statement of financial position or consolidated statement of comprehensive income (loss).

22. Income taxes:

The Corporation's reconciliation of income tax expense based on the statutory income tax rate to the income tax expense recorded in the financial statement is as follows:

Years ended December 31,	2021	2020
Earnings before income tax	$ 2,381	$ (16,245)
Statutory income tax rate[1]	24.8%	26.0%
Income tax at statutory income tax rate	590	(4,224)
Non-deductible expenses and other	(10)	(57)
Non-deductible share compensation expense	(76)	15
Change in deferred tax assets not recognized	(133)	1,425
Income tax	**$ 371**	**$ (2,841)**

[1] The Alberta statutory income tax rate was 8% as at December 31, 2021 (July 1, 2020 to December 31, 2020 – 8%; January 1, 2020 to June 30, 2020 – 10%). The Corporation is subject to an Alberta and Ontario provincial income tax allocation.

The table below outlines the changes in deferred tax balances.

As at	**December 31, 2021**			
	Balance January 1, 2021	Recognized in profit and loss	Additions through acquisition	Balance December 31, 2021
Property and equipment	$ (1,415)	$ 752	$ (1,298)	$ (1,961)
Financing costs	(88)	47	-	(41)
Amortized cost adjustment	148	(17)	-	131
Deferred compensation	260	(28)	-	232
Performance bonus	813	341	-	1,154
Partnership earnings timing difference	(1,019)	1,019	-	-
Credit loss allowance timing difference	379	15	-	394
Cost basis of investment in Crown Partners Fund	-	(1,640)	-	(1,640)
Non-capital losses	490	(402)	543	631
	$ (432)	$ 87	$ (755)	$ (1,100)

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

22. Income taxes (continued):

As at	December 31, 2020			
	Balance January 1, 2020	Recognized in profit and loss	Additions through acquisition	Balance December 31, 2020
Property and equipment[1]	$ 8	$ 62	$ (1,485)	$ (1,415)
Financing costs	14	(102)	-	(88)
Amortized cost adjustment	187	(39)	-	148
Deferred compensation	82	178	-	260
Performance bonus	555	258	-	813
Partnership earnings timing difference	(704)	(315)	-	(1,019)
Credit loss allowance timing difference	-	379	-	379
Non-capital losses	-	(116)	606	490
	$ 142	**$ 305**	**$ (879)**	**$ (432)**

1 As a result of new information obtained within one year of the date of acquisition of Galaxy about facts and circumstances that existed as the date of acquisition, the Corporation revised the measurement of the deferred income tax liability added in respect of that acquisition – see *Note 15(c)(ii)*.

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Year ended December 31,	2021	2020
Property and equipment	$ 15,613	$ 14,990
Finance costs	282	552
Non-capital losses	4,371	1,144
Total	**$ 20,266**	**$ 16,686**

23. Subsequent events:

On January 24, 2022, the Corporation announced a substantial issuer bid (the "Third Offer") pursuant to which the Corporation offered to purchase for cancellation up to 1,330,000 of its outstanding common shares at a price of $7.50 per common share in cash for an aggregate purchase price not to exceed $10,000. On March 8, 2022, the Corporation purchased and subsequently cancelled 1,330,000 of its common shares pursuant to the Third Offer for total consideration of $10,000, excluding fees and expenses related to the Third Offer totaling approximately $100.