
Consolidated Financial Statements of

CROWN CAPITAL PARTNERS INC.

Years ended December 31, 2022 and 2021



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INDEPENDENT AUDITOR'S 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, 2022 and December 31, 2021
- 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, 2022 and December 31, 2021, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's 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, 2022. 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 auditor's report:

Identification of performance obligations in contractual network services revenue

Description of the matter

We draw attention to notes 2(d)(ii) and 3(e)(i) to the consolidated financial statements. The Entity has recognized network services revenue of \$27,262 thousand which consist of professional services, hardware sales and contractual network services revenue. Contractual network services revenue include: (i) non-recurring revenue related to the upfront installation of network elements and (ii) monthly recurring revenue 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 revenue as a key audit matter. This matter represented an area of significant auditor attention given the magnitude of the Entity's network services revenue and significant judgement 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.

Evaluation of the acquisition-date fair value of intangible asset and long-term debt

Description of the matter

We draw attention to Notes 21(a) to the consolidated financial statements. The Entity completed the acquisition of Go Direct Global Inc. on June 24, 2022. The acquisition-date fair value of the intangible asset consisting of customer contracts is \$3,342 thousand and long-term debt is \$2,924 thousand. The Entity's significant assumptions in determining the acquisition-date fair value for the intangible asset includes future cash flows on existing contracts and risk-adjusted discount rate. The Entity's significant assumptions in determining the acquisition-date fair value of the long-term debt includes future cash flows of Go Direct Supply Chain Solutions Inc., the wholly-owned subsidiary of Go Direct Global Inc., and discount rate.



Why the matter is a key audit matter

We identified the evaluation of the acquisition-date fair value of intangible asset and long-term debt as a key audit matter. This matter required significant auditor judgement due to the estimation uncertainty in determining the fair value of the intangible asset and long-term debt. In addition, the involvement of those with specialized skills and knowledge was required in performing and evaluating the results of our procedures due to the sensitivity of the fair value to minor changes in certain assumptions used.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We evaluated the appropriateness of the future cash flows by comparing to certain actual historical results. We took into account, changes in conditions and events affecting the existing contracts to assess the adjustments or lack of adjustments made in arriving at the future cash flows.
- We involved valuations professionals with specialized skills and knowledge, who assisted with the:
 - Assessment of the valuation models used by the Entity to determine the fair value of the intangible asset and long-term debt.
 - Evaluation of the discount rate implied by the transaction by comparing to the weighted average cost of capital that was independently developed using publicly available data for comparable companies.

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 auditor's 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 auditor's 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) as issued by the International Accounting Standards Board (IASB), 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.

Auditor's 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 auditor's 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.



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- 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 auditor's 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 auditor's 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.
- 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 auditor's 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

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

Toronto, Canada

March 20, 2023

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

As at	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,244	\$ 10,842
Accounts receivable	14,195	6,056
Income taxes recoverable	314	-
Prepaid expenses and deposits	4,275	1,721
Inventory	1,458	1,108
Lease earn-out note receivable (Note 4)	-	4,603
Current portion of investments (Note 5)	-	1,750
Current portion of net investment in leased distributed power equipment (Note 6)	642	578
	28,128	26,658
Non-current assets:		
Investments (Note 5)	2,101	2,601
Investment in Crown Partners Fund (Note 7)	34,557	47,369
Customer contracts (Note 8)	7,051	5,866
Property and equipment (Note 9)	35,219	14,279
Net investment in leased distributed power equipment (Note 6)	11,352	8,986
Property and equipment under development and related deposits (Note 10)	46,356	34,063
Deferred income taxes (Note 25)	1,605	-
Goodwill	293	293
Total Assets	\$ 166,662	\$ 140,115
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,302	\$ 6,931
Income taxes payable	-	525
Factor facility (Note 3(s)(iii))	968	-
Contingent consideration (Note 11)	950	1,600
Network services vendor note payable	-	612
Mortgages payable (Note 12)	11,900	12,450
Current portion of deferred revenue	1,130	1,059
Current portion of lease obligations	3,552	1,282
Current portion of convertible debentures - liability component (Note 16)	19,770	-
Current portion of long-term debt	60	-
	50,632	24,459
Non-current liabilities:		
Deferred revenue	849	1,231
Lease obligations	16,753	644
Deferred compensation (Note 13)	1,588	1,063
Provision for performance bonus (Note 14)	3,109	4,597
Credit facilities (Note 15)	18,067	(334)
Convertible debentures - liability component (Note 16)	-	19,334
Long-term debt	2,924	150
Deferred income taxes	-	1,100
Non-controlling interests (Note 18)	22,070	18,796
Total Liabilities	115,992	71,040
Equity		
Share capital (Note 20)	48,281	60,693
Convertible debentures - equity component (Note 16)	483	483
Contributed surplus	15,184	15,180
Translation reserve	35	-
Deficit	(13,313)	(7,281)
Total Equity	50,670	69,075
	\$ 166,662	\$ 140,115
Commitments and contingencies (Note 27)		
Subsequent events (Note 28)		

See accompanying notes to consolidated financial statements.

On behalf of the Board:

signed "Alan Rowe" Chairman
Alan Rowe

signed "Chris Johnson" Director
Chris Johnson

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Comprehensive (Loss) Income

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

For the years ended December 31,	2022	2021
Revenues		
Network services revenue	\$ 27,262	\$ 27,643
Interest revenue	1,593	13,248
Fees and other income	1,909	2,013
Distribution services revenue	14,071	-
Net (loss) gain on investments		
Net realized (loss) gain from investments	(1,268)	86
Net change in unrealized gain (loss) of investments	1,270	(322)
	44,837	42,668
Share of (losses) earnings of Crown Partners Fund (Note 7)	(4,656)	4,728
Expenses		
Salaries and benefits	10,244	8,383
Share-based compensation (Note 13)	530	803
Performance bonus (recovery) expense (Note 14)	(1,488)	1,358
General and administration	5,711	3,492
Foreign exchange (gain) loss	(166)	2
Cost of network services revenue	13,789	12,986
Cost of distribution services revenue	10,041	-
Depreciation	6,175	3,880
Provision for bad debt	12	93
(Recovery of) provision for expected credit losses	(590)	2,299
Finance costs (Note 17)	3,635	4,075
Impairment of property and equipment (Note 9)	350	658
Impairment of distributed power equipment under development and related deposits (Note 10)	3,291	-
	51,534	38,029
(Loss) income before other adjustments and income taxes	(11,353)	9,367
Gain on acquisition (Note 21)	73	73
Gain on derecognition of subsidiary	-	1,588
Remeasurement of financial instruments (Note 4)	144	(2,539)
Non-controlling interests (Note 18)	1,548	(6,108)
(Loss) income before income taxes	(9,588)	2,381
Income taxes (recovery) (Note 25)		
Current tax expense	715	458
Deferred tax recovery	(2,828)	(87)
	(2,113)	371
Net (loss) income	(7,475)	2,010
Other comprehensive income		
Items that will be reclassified subsequently to net income		
Foreign currency translation adjustment	35	-
Comprehensive (loss) income	\$ (7,440)	\$ 2,010
(Loss) earnings per share attributable to shareholders		
Basic	\$ (1.26)	\$ 0.23
Diluted	\$ (1.26)	\$ 0.23
Weighted average number of shares, basic	5,912,105	8,735,781
Weighted average number of shares, diluted	5,912,105	8,735,781

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

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

	Number of shares	Share capital	Convertible debentures - equity component	Contributed surplus	Translation reserve	Retained earnings (deficit)	Total Equity
Balance as at January 1, 2021	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 13)	-	-	-	(254)	-	-	(254)
Cash-settled share-based compensation (Note 13)	-	-	-	(98)	-	47	(51)
Issuance of common shares (Note 20)	18,951	184	-	(184)	-	-	-
Shares repurchased (Note 20)	(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
Net loss and comprehensive loss attributable to shareholders of the Corporation	-	-	-	-	-	(7,475)	(7,475)
Other comprehensive income for the period	-	-	-	-	35	-	35
Share-based compensation (Note 13)	-	-	-	4	-	-	4
Shares repurchased (Note 20)	(1,450,556)	(12,412)	-	-	-	1,443	(10,969)
Balance as at December 31, 2022	5,642,546	\$ 48,281	\$ 483	\$ 15,184	\$ 35	\$ (13,313)	\$ 50,670

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,	2022	2021
Cash provided by (used in) operating activities		
Net (loss) income	\$ (7,475)	\$ 2,010
Non-controlling interests (Note 18)	(1,548)	6,108
Adjustments for:		
Net realized loss (gain) from investments	1,268	(86)
Net change in unrealized (gain) loss in fair value of investments	(1,270)	322
Gain on derecognition of subsidiary	-	(1,588)
Share of losses (earnings) of Crown Partners Fund (Note 7)	4,656	(4,728)
Income distributions received from Crown Partners Fund	3,018	3,078
Interest income	(1,593)	(13,248)
Interest income received in the period	432	11,356
(Recovery of) provision for expected credit losses	(590)	2,299
Non-cash finance fees	(172)	-
Amortization of deferred finance costs (Note 17)	807	758
Depreciation	6,175	3,880
Current income tax expense	715	458
Income taxes paid, net of refunds received	(1,554)	3,036
Deferred tax recovery	(2,828)	(87)
Share-based compensation, net of cash settlements	530	(421)
Performance bonus (recovery) expense (Note 14)	(1,488)	1,358
Provision for bad debt	12	93
Impairment of property and equipment (Note 9)	350	658
Impairment of distributed power equipment under development and related deposits (Note 10)	3,291	-
Remeasurement of financial instruments (Note 4)	(144)	2,539
Gain on acquisition (Note 21)	(73)	(73)
Net proceeds from repayment of lease earn-out note receivable (Note 4)	4,747	(508)
Net change in non-cash working capital (Note 23)	(4,165)	257
	3,101	17,471
Cash provided by (used in) investing activities		
Proceeds from repayment of debt securities	502	10,732
Proceeds from sale of equity securities	-	1,927
Addition of investments	(2,063)	(2,577)
Sale of Crown Partners Fund LP units to non-controlling interests	-	20,697
Capital distributions received from Crown Partners Fund	4,383	16,117
Purchase of property and equipment	(2,602)	(1,196)
Acquisition of subsidiaries, net of cash acquired (Note 21)	621	(288)
Principal repayments of, net of additions to, net investment in leased distributed power equipment	342	502
Additions to, net of proceeds from sale of, property and equipment under development and related deposits	(17,560)	2,292
	(16,377)	48,206
Cash provided by (used in) financing activities		
Non-controlling interests contributions to Crown Power Fund (Note 18)	5,116	-
Distributions paid by Crown Partners Fund to non-controlling interests	-	(4,764)
Distributions paid by Crown Power Fund to non-controlling interests	(294)	(5,630)
Payments of lease obligations	(1,542)	(1,354)
Repayment of network services vendor note payable	(612)	(709)
Credit facility advances, net of repayments (Note 15)	18,250	(38,900)
Repayment of mortgages payable, net of advances	(550)	-
Repayments of long-term debt	(90)	(150)
Advances from factor facility, net of repayments	382	-
Shares repurchased (Note 20)	(10,969)	(13,804)
Deferred financing costs (Note 15)	(17)	(485)
	9,674	(65,796)
Effect of foreign exchange rate difference on cash	4	-
Decrease in cash and cash equivalents	(3,598)	(119)
Cash and cash equivalents, beginning of period	10,842	19,150
Derecognition of cash and cash equivalents of subsidiary	-	(8,189)
Cash and cash equivalents, end of period	\$ 7,244	\$ 10,842
Supplemental cash flow information:		
Interest paid in the period	\$ 2,826	\$ 3,306

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Notes to consolidated financial statements

As at and for the years ended December 31, 2022 and 2021

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

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, 2022 and 2021 comprise the Corporation and its subsidiaries, which include:

- A 100% interest (December 31, 2021 – 100%) in Crown Capital Funding Corporation ("CCFC");
- Through CCFC, a 100% interest (December 31, 2021 – 100%) in Crown Capital Private Credit Fund, LP ("Crown Private Credit Fund");
- A 100% interest (December 31, 2021 – 100%) in Crown Capital Private Credit Management Inc. ("CCPC MI"), the general partner of Crown Private Credit Fund;
- A 100% interest (December 31, 2021 – 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, 2021 – 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, 2021 – 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, 2021 – 43.2%) in Crown Power Fund;
- An effective interest of 85.8% (December 31, 2021 – 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;
- A 100% interest (December 31, 2021 – 100%) in WireIE Holdings International Inc., WireIE (Canada) Inc. and WireIE (Development) Inc. (hereinafter collectively referred to as "WireIE");
- A 100% interest (December 31, 2021 – 100%) in WireIE Inc. ("WireIE Inc.");
- A 100% interest (December 31, 2021 – 100%) in Community Network Partners Inc. ("CNP");
- A 100% interest (December 31, 2021 – 100%) in Galaxy Broadband Communications Inc. ("Galaxy");
- A 100% interest (December 31, 2021 – 100%) in PenEquity Development GP Inc., the general partner of PenEquity Development Limited Partnership ("PDLP");
- Through Crown Private Credit Fund, a 100% interest (December 31, 2021 – 100%) 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");

CROWN CAPITAL PARTNERS INC.

Notes to consolidated financial statements

As at and for the years ended December 31, 2022 and 2021

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

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 7). Prior to July 13, 2021, through CCFC, an effective interest of 36.5% (January 1, 2021 to March 30, 2021 – 38.8%, March 31, 2021 to July 12, 2021 – 36.5%) in Crown Partners Fund as a subsidiary;
- 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”). Prior to July 13, 2021, a 100% interest from April 8, 2021 to July 12, 2021 as a subsidiary; and
- Effective June 24, 2022, a 100% interest in Go Direct Global Inc. (“Go Direct Global”) and its wholly-owned subsidiaries, Go Direct Supply Chain Solutions Inc. (“Go Direct SCS”) and Go Direct America Inc. (“Go Direct America”).

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 20, 2023.

(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:

CROWN CAPITAL PARTNERS INC.

Notes to consolidated financial statements

As at and for the years ended December 31, 2022 and 2021

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

2. Basis of preparation (continued):

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

- (i) Note 3(d)(ii) – fair value measurement of a financial liability that is measured at FVTPL in relation to the Corporation's long-term debt payable through Go Direct SCS;
- (ii) Note 3(e)(v) – identification and timing of satisfaction of performance obligations in relation to the Corporation's network services revenues;
- (iii) Notes 3(g)(i)-(ii) and 3(n) – lease identification and the estimated discount rate used in respect of network co-location arrangements and premises and related equipment;
- (iv) Notes 3(g)(i) and 9 – estimated useful lives and recoverability of network services equipment and estimated allocation of capitalized labour;
- (v) Notes 3(g)(iii)-(iv), 3(h) and 10 – recoverability of costs capitalized in relation to distributed power equipment, distributed power equipment under development through lease contracts and property under development;
- (vi) Notes 3(i), 8 and 21 – estimated useful lives and recoverability of intangible assets with finite lives;
- (vii) Notes 3(m) and 25 – recognition of deferred tax assets;
- (viii) Note 3(s)(ii) – identification and timing of satisfaction of performance obligations in relation to the Corporation's distribution services revenues;
- (ix) Note 5 – fair value measurement of investments, classification of financial assets and determination of expected credit losses on financial assets;
- (x) Note 7 – fair value measurement of the Corporation's investment in Crown Partners Fund based on the net asset value of Crown Partners Fund as determined by the investment manager of CPCP; and
- (xi) Notes 21 and 22 – fair value measurement of net identifiable assets acquired in a business combination or asset acquisition.

CROWN CAPITAL PARTNERS INC.

Notes to consolidated financial statements

As at and for the years ended December 31, 2022 and 2021

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

2. Basis of preparation (continued):

(e) Fair value of financial instruments:

A number of the Corporation's accounting policies require the measurement of fair values, for financial assets and liabilities.

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.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

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 carrying values of the net investment in leased distributed power equipment, network services vendor note payable, mortgages payable, lease obligations, credit facilities and long-term debt approximate their fair values due to the market interest rates on the loans.

Long-term debt payable through Go Direct SCS is valued using the net present value of aggregate expected cash flows of Go Direct SCS available to service this debt.

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.

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.

(f) Reclassification of prior period presentation:

Certain comparative figures have been reclassified to conform with the current period's presentation.

CROWN CAPITAL PARTNERS INC.

Notes to consolidated financial statements

As at and for the years ended December 31, 2022 and 2021

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

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.

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.

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3. Significant accounting policies (continued):

(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 (loss) 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.

The Corporation, through Go Direct SCS, has long-term debt of \$2,924, representing a financial liability that is measured at FVTPL. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of comprehensive (loss) income. Any gain or loss on derecognition is also recognized in the statement of comprehensive (loss) income.

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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.

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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.

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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.

(e) Revenue recognition:

(i) 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.

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3. Significant accounting policies (continued):

(e) Revenue recognition (continued):

(i) Network services revenue recognition (continued)

- 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.

(ii) 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.

(iii) 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.

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3. Significant accounting policies (continued):

(e) Revenue recognition (continued):

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

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

(v) 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.

(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, the financial liability is reclassified to equity and no gain or loss is recognized.

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3. Significant accounting policies (continued):

(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, 2022, the expense associated with such lease payments was \$756 (2021 - \$651).

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

(ii) Premises and related equipment:

The Corporation enters into leased premises arrangements for the provision of distribution services and in respect of its corporate offices. As a lessee, the Corporation recognizes right-of-use assets and lease liabilities for the leased premises.

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.

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3. Significant accounting policies (continued):

(g) Property and equipment (continued):

(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.

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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, 2022 and 2021 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.

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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; (ii) property under development comprising the carrying value of property owned by the Corporation that is in the course of development; and (iii) network services equipment under development and related deposits comprising the carrying value of network services equipment owned by the Corporation that is in the course of development.

At each reporting date, the carrying amount of property and equipment under development and related deposits 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 an asset or CGU, 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.

(i) Distributed power equipment under development and related deposits:

Distributed power equipment under development and related deposits is 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.

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.

(ii) Property under development:

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.

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.

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3. Significant accounting policies (continued):

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

(iii) Network services equipment under development and related deposits:

Network services equipment under development and related deposits is recorded at cost 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.

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

(i) Customer contracts

Customer contracts are intangible assets comprised of network services customer contracts, credit reporting customer contracts and distribution services customer contracts representing the fair value of service contracts assumed on the acquisitions of WireIE, Galaxy, Lumbersmens and Go Direct Global, net of amounts of accumulated depreciation and impairment, in addition to foreign currency translation adjustments recorded in respect of certain distribution services contracts.

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.

Customer 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 customer 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.

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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.

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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.

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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.

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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) 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.

(r) 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.

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3. Significant accounting policies (continued):

(s) Significant accounting policies adopted in the period:

(i) Foreign currency translation

- Transactions and balances

Transactions in foreign currencies are translated into the functional currency of the Corporation and its subsidiaries using exchange rates in effect at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising from changes in rates of translation are generally recognized in income or loss in the period incurred.

- Foreign operations

For subsidiaries that are required to be consolidated, the results and financial position of those subsidiaries with a functional currency different from the Corporation's presentation currency are translated as follows:

- assets and liabilities are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates. The Corporation uses monthly average exchange rates due to the volume of transactions each month; and
- all resulting exchange differences are recognized in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to income or loss as part of the gain or loss on disposal. If the Corporation disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

CROWN CAPITAL PARTNERS INC.

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3. Significant accounting policies (continued):

(s) Significant accounting policies adopted in the period (continued):

(ii) Revenue recognition

- Distribution services revenue recognition

The Corporation, through Go Direct Global, earns revenues in relation to the provision of distribution services. Distribution services are comprised of: (i) warehousing and distribution services; and (ii) freight management services.

Warehousing and distribution services are provided to customers at agreed-upon rates as stated in the contract with the customer. Revenue is recognized upon completion of the performance obligations based on the terms specified in the contract.

Freight management services are provided to customers using third-party subcontractors. The Corporation acts as a principal in the arrangement and recognizes revenue on a gross basis as it has the authority to make key decisions over the freight arrangements, including the prices it charges to its customers.

The contracts with customers do not have a significant financing component. Payments are typically due 30-60 days from the billing date and invoices are typically rendered on a monthly basis.

(iii) Factor facility

The Corporation sells, with recourse, certain accounts receivable in its distribution services segment to a lender for cash proceeds. These receivables are not derecognized from the consolidated statement of financial position because the Corporation retains substantially all of the risks and rewards, including credit risk. The amount received on transfer of accounts receivable is recognized as a factor facility liability.

As of December 31, 2022, the carrying amount of the accounts receivable transferred to the lender was \$1,092 and the carrying amount of the associated liabilities was \$968 (December 31, 2021 - \$nil and \$nil, respectively).

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4. Lease earn-out note receivable:

The lease earn-out note receivable represented 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 were based on leases secured by PSCC in respect of a prescribed area of available density as at September 30, 2021, and were valued based on expected cash flows, which considered the expected future payments, net of expected costs, in relation to this arrangement. The lease earn-out note receivable was classified as a Level 3 financial instrument. During the year ended December 31, 2022, the lease earn-out note receivable decreased by \$4,603 to \$nil due to net proceeds received from repayment of \$4,747, net of a remeasurement gain of \$144 recognized in net (loss) income as a remeasurement of financial instruments. 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 due to a revised estimate of the related future cash flows, with the decrease in fair value recognized in net (loss) income for the period as a component of the remeasurement of financial instruments.

5. Investments:

As at	December 31, 2022	December 31, 2021
Investments at FVTPL:		
Canadian debt security at FVTPL	\$ -	\$ 500
Canadian equity security	25	25
Total Investments at FVTPL	25	525
Canadian debt securities at amortized cost	17,748	19,498
Allowance for credit losses	(15,672)	(15,672)
Total Investments at amortized cost, net of allowance for credit losses	2,076	3,826
Total Investments	\$ 2,101	\$ 4,351
Current portion	-	(1,750)
Non-current portion	\$ 2,101	\$ 2,601

For investments carried at FVTPL, the amounts are classified in the fair value hierarchy based on the values recognized in the consolidated statement of financial position. The Canadian equity security at FVTPL represents common shares of CPCP and is valued based on its transaction price. As at December 31, 2022, total investments at FVTPL of \$25 (December 31, 2021 - \$525) and total investments at amortized cost, net of allowance for credit losses, of \$2,076 (December 31, 2021 - \$3,826) are classified as Level 3 financial instruments. There were no transfers between levels during the year ended December 31, 2022. The carrying value of investments at amortized cost, net of allowance for credit losses, approximates its fair value.

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Notes to consolidated financial statements

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5. Investments (continued):

As at December 31, 2022, the total gross carrying value of the single Canadian debt security at amortized cost is \$17,748 and is classified as Stage Three (December 31, 2021 – total gross carrying value of Canadian debt securities at amortized cost of \$19,498, of which \$1,750 and \$17,748 are classified as Stage One and Stage Three, respectively). There were no changes in, or transfers between stages during the year ended December 31, 2022.

Interest revenue calculated using the effective interest rate method for debt securities carried at amortized cost totaled \$nil for the year ended December 31, 2022 (for the year ended December 31, 2021 - \$8,443).

Finance fees recognized in revenue in relation to the repayment of debt securities carried at amortized cost totaled \$nil for the year ended December 31, 2022 (for the year ended December 31, 2021 - \$15).

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, 2022 and December 31, 2021:

For the years ended	December 31, 2022	December 31, 2021
Level 3 securities at FVTPL		
Opening balance	\$ 525	\$ 74,015
Additions	-	25
Repayments	(502)	-
Realized losses	(1,268)	-
Derecognition of subsidiary ¹	-	(72,037)
Net change in unrealized gains (losses)	1,270	(1,478)
Ending balance	\$ 25	\$ 525

¹ 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 7).

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Notes to consolidated financial statements

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6. Net investment in leased distributed power equipment:

The Corporation entered into three finance lease contracts in the year ended December 31, 2022 (December 31, 2021 – one) 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, 2022, the Corporation recognized interest income in relation to its net investment in leased distributed power equipment of \$868 (December 31, 2021 - \$784).

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, 2022	December 31, 2021
Less than one year	\$ 1,524	\$ 1,330
One to two years	1,627	1,330
Two to three years	1,627	1,330
Three to four years	1,627	1,330
Four to five years	1,627	1,330
Greater than five years	9,643	7,170
Total undiscounted lease payments	17,675	13,820
Unearned finance income	(6,998)	(5,359)
Undiscounted unguaranteed residual value	1,440	1,200
Net investment in leased distributed power equipment, before allowance for credit loss	12,117	9,661
Allowance for credit loss	(123)	(97)
Net investment in leased distributed power equipment	\$ 11,994	\$ 9,564
Current portion	(642)	(578)
Non-current portion	\$ 11,352	\$ 8,986

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7. Investment in 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. 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.

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 is the general partner of Crown Partners Fund. 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 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 ceased to have control over Crown Partners Fund, which had previously been consolidated as a subsidiary, effective as at the Transaction Date. As at 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.

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, 2022 of \$6,219 (December 31, 2021 - \$9,194) represents the carrying value of the Corporation's general partnership interest. As at December 31, 2022, the Corporation had accrued a provision for performance bonus of \$3,109 (December 31, 2021 - \$4,597) which represents the 50% portion that would be paid to participants in the asset performance bonus pool of Crown Partners Fund (see Note 14).

The fair value of the investment in Crown Partners Fund of \$34,954 as at December 31, 2022 (December 31, 2021 - \$47,332) 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, 2022, investments held by Crown Partners Fund in the form of Canadian debt securities have coupon interest rates ranging from 10.0% to 12.0% per annum and effective interest rates ranging from 10.0% to 21.6% (December 31, 2021 - 10.0% to 12.5% and 10.0% to 14.0% respectively) for debt securities carried at amortized cost.

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7. Investment in Crown Partners Fund (continued):

The following tables show the movement in the carrying value of the investment in Crown Partners Fund for the years ended December 31, 2022 and December 31, 2021:

As at and for the year ended December 31,	2022		
	Limited partnership interest	General partnership interest	Total
Crown Partners Fund			
Opening balance	\$ 38,175	\$ 9,194	\$ 47,369
Share of losses ¹	(1,681)	(2,975)	(4,656)
Distributions	(8,156)	-	(8,156)
Ending balance	\$ 28,338	\$ 6,219	\$ 34,557

¹ Share of losses include an increase of \$536 to the Corporation's proportionate share of the loss attributable to limited partners of Crown Partners Fund for the year ended December 31, 2022 to reflect fair value adjustments of Canadian debt securities measured at amortized cost which were recognized by the Corporation on the derecognition of Crown Partners Fund as a subsidiary on July 13, 2021.

As at and for the year ended December 31,	2021		
	Limited partnership interest	General partnership interest	Total
Crown Partners Fund			
Opening balance	\$ -	\$ -	\$ -
Fair value at the Transaction Date	53,593	7,637	61,230
Share of earnings after the Transaction Date	3,171	1,557	4,728
Distributions after the Transaction Date	(18,589)	-	(18,589)
Ending balance	\$ 38,175	\$ 9,194	\$ 47,369

CROWN CAPITAL PARTNERS INC.

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7. Investment in Crown Partners Fund (continued):

The following tables present summarized financial information for Crown Partners Fund prepared in accordance with IFRS:

As at	December 31, 2022	December 31, 2021
Crown Partners Fund – Summary Balance Sheet Information		
Investments	\$ 106,341	\$ 141,564
Other assets	7,459	5,614
Total liabilities	(6,039)	(3,409)
Net assets	107,761	143,769
Net assets attributable to limited partners	101,542	134,575
Net assets attributable to general partner	6,219	9,194
Crown Partners Fund – Summary Income Statement Information		
Interest revenue	\$ 11,951	\$ 21,697
Other revenue	701	3,220
Net loss on investments	(4,130)	2,906
Total operating expenses	(1,916)	(4,154)
Provision for expected credit losses	(13,679)	(94)
Total (decrease) increase in net assets	(7,073)	23,575
(Decrease) increase in net assets attributable to limited partners	(4,098)	20,859
(Decrease) increase in net assets attributable to general partner	(2,975)	2,716

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8. Customer contracts:

As at	December 31, 2022			
Carrying amount	Network Services	Distribution Services	Credit Reporting	Total
Opening balance, January 1, 2022	\$ 9,493	\$ -	\$ 1,003	\$ 10,496
Additions through acquisition (Note 21(a))	-	3,342	-	3,342
Effect of movement in exchange rates	-	24	-	24
Balance, December 31, 2022	\$ 9,493	\$ 3,366	\$ 1,003	\$ 13,862

Accumulated depreciation and impairment of customer contracts

Opening balance, January 1, 2022	\$ (4,530)	\$ -	\$ (100)	\$ (4,630)
Depreciation	(1,455)	(525)	(201)	(2,181)
Balance, December 31, 2022	\$ (5,985)	\$ (525)	\$ (301)	\$ (6,811)
Carrying value – December 31, 2022	\$ 3,508	\$ 2,841	\$ 702	\$ 7,051

As at	December 31, 2021			
Carrying amount	Network Services	Distribution Services	Credit Reporting	Total
Opening balance, January 1, 2021	\$ 9,493	\$ -	\$ -	\$ 9,493
Additions through acquisition (Note 21(b))	-	-	1,003	1,003
Balance, December 31, 2021	\$ 9,493	\$ -	\$ 1,003	\$ 10,496

Accumulated depreciation and impairment of customer contracts

Opening balance, January 1, 2021	\$ (3,307)	\$ -	\$ -	\$ (3,307)
Depreciation	(1,223)	-	(100)	(1,323)
Balance, December 31, 2021	\$ (4,530)	\$ -	\$ (100)	\$ (4,630)
Carrying value – December 31, 2021	\$ 4,963	\$ -	\$ 903	\$ 5,866

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9. Property and equipment:

As at	December 31, 2022				
	Network Co-location	Network Services Equipment	Premises and Related Equipment	Distributed Power Equipment	Total
Cost					
Beginning balance, January 1, 2022	\$ 4,096	\$ 11,507	\$ 1,796	\$ 7,031	\$ 24,430
Additions (disposals) ¹	-	568	12,072	(57)	12,583
Derecognition	(187)	(969)	-	-	(1,156)
Additions through acquisition (Note 21) ²	-	-	12,209	-	12,209
Reclassification from property and equipment under development and related deposits	-	-	-	144	144
Effect of foreign exchange rate movement	-	-	390	-	390
Balance, December 31, 2022	\$ 3,909	\$ 11,106	\$ 26,467	\$ 7,118	\$ 48,600
Accumulated depreciation and impairment of equipment					
Beginning balance, January 1, 2022	\$(2,738)	\$(5,835)	\$(1,020)	\$ (558)	\$(10,151)
Depreciation	(835)	(1,417)	(1,738)	(4)	(3,994)
Derecognition	145	969	-	-	1,114
Impairment	-	-	-	(350)	(350)
Balance, December 31, 2022	\$ (3,428)	\$ (6,283)	\$ (2,758)	\$ (912)	\$ (13,381)
Carrying value – December 31, 2022	\$ 481	\$ 4,823	\$ 23,709	\$ 6,206	\$ 35,219

¹Includes right-of-use assets with a carrying value of \$9,981.

²Includes right-of-use assets with a carrying value of \$10,195.

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9. Property and equipment (continued):

As at	December 31, 2021				
	Network Co-location	Network Services Equipment	Premises and Related 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

During the year ended December 31, 2022, the Corporation recognized an impairment loss in respect of distributed power equipment of \$350 (2021 - \$237 and \$421 in respect of network services equipment and distributed power equipment, respectively) in order to reflect revised estimates of recoverable value in respect of certain distributed power equipment based on recently available market prices.

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10. Property and equipment under development and related deposits:

As at	December 31, 2022			
	Real estate property under development	Distributed power equipment under development and related deposits	Network equipment under development	Total
Carrying amount				
Balance, January 1, 2022	\$ 22,658	\$ 10,961	\$ 444	\$ 34,063
Additions	1,984	11,341	4,771	18,096
Reclassification to net investment in leased distributed power equipment	-	(2,368)	-	(2,368)
Reclassification to property and equipment	-	(144)	-	(144)
Impairment	-	(3,291)	-	(3,291)
Balance, December 31, 2022	\$ 24,642	\$ 16,499	\$ 5,215	\$ 46,356

As at	December 31, 2021			
	Real estate property under development	Distributed power equipment under development and related deposits	Network equipment under development	Total
Carrying amount				
Balance, January 1, 2021	\$ -	\$ 16,038	\$ -	\$ 16,038
Additions	791	5,785	444	7,020
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	\$ 444	\$ 34,063

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10. Property and equipment under development and related deposits (continued):

Additions to real estate property under development includes capitalized interest of \$1,109 in the years ended December 31, 2022 (December 31, 2021 - \$935) in respect of mortgages payable.

Additions to distributed power equipment under development and related deposits includes capitalized interest of \$731 for the year ended December 31, 2022 (December 31, 2021 - \$688).

During the year ended December 31, 2022, the Corporation recognized impairment losses totaling \$3,291 (December 31, 2021 - \$nil) in order to reflect revised estimates of the recoverable value of one distributed power project under development.

11. Contingent consideration

On September 15, 2020, as partial consideration for the equity acquired from the previous shareholders of Galaxy, the Corporation agreed to pay selling shareholders 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.

In the year ended December 31, 2022, the fair value of the contingent consideration liability decreased by \$650 to \$950, attributable to a cash payment of \$650 in partial settlement of this liability. In the year ended December 31, 2021, the fair value of the contingent consideration liability decreased by \$2,320 to \$1,600 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.

12. Mortgages payable:

Upon acquisition of PSCC on March 1, 2021, the Corporation assumed a mortgage payable of \$3,300, secured by the value of property under development. This mortgage payable bore interest at 8.5% per annum and was repaid in full during the three months ended March 31, 2022.

Upon acquisition of PBC on April 15, 2021, the Corporation assumed a mortgage payable of \$9,150, secured by the value of property under development, which had a maturity date of January 1, 2022 and that was extended to July 1, 2022. This mortgage payable was comprised of both fixed and variable tranches and bore 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, and was repaid in full in the three months ended June 30, 2022.

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12. Mortgages payable (continued):

Effective May 27, 2022, the Corporation entered into an agreement for a mortgage payable of \$11,900 that is secured by the value of property under development, has a maturity date of November 30, 2023, and bears interest based on Prime Rate plus 570 bps (with a floor of 8.40%) per annum.

The fair value of the portion of the mortgages payable that bear variable rates of interest approximates its carrying value due to the variable rate of interest applicable to the portion of this instrument. The fair value of the portion of the mortgages payable that bore fixed rates of interest was equal to the gross contractual amounts payable.

13. 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 July 13, 2021, the MTPU Plan was terminated.

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, 2022, 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, 2022, the deferred compensation liability was \$1,588 (December 31, 2021 - \$1,063).

The Corporation issues additional DDSUs to directors in lieu of dividends on outstanding DDSUs. These DDSUs vest on the same terms as the respective units for which they were awarded. The number of DDSUs 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.

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13. Share-based compensation (continued):

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. There are no PSUs or RSUs outstanding as at December 31, 2022, and the Corporation does not expect to issue PSUs or RSUs in the future.

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, 2022, no stock options were granted. 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.

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 was \$0.13 per option. As at December 31, 2022, 188,614 (December 31, 2021 – 94,307) stock options had vested but had not been exercised, and an additional 94,307 (December 31, 2021 – 188,614) stock options which had not vested were outstanding.

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13. Share-based compensation (continued):

The tables below detail the share-based compensation expense recognized in the years ended December 31, 2022 and 2021. Share-based compensation expense is recognized over the expected vesting period of each award.

For the year ended December 31, 2022						
	Number outstanding at January 1, 2022	Issued in the period	Vested or exercised	Cancelled or forfeited	Number outstanding at December 31, 2022	Expensed in the period
DDSU ¹	141,681	34,776	-	-	176,457	\$ 526
Stock options	282,921	-	-	-	282,921	4
Total	424,602	34,776	-	-	459,378	\$ 530

¹ The DDSUs issued in the period were new awards.

For the year ended December 31, 2021						
	Number outstanding at January 1, 2021	Issued in the period	Vested or exercised	Cancelled or forfeited	Number outstanding at December 31, 2021	Expensed in the period
PSUs ²	29,411	-	-	(29,411)	-	\$ (249)
RSUs	29,466	-	(29,466)	-	-	-
MTPUs ^{1,2}	286,832	237,731	(176,878)	(347,685)	-	408
DDSU 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.

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14. 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 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 July 13, 2021. 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, 2022, the Corporation had accrued a provision for performance bonus payable of \$3,109 (December 31, 2021 - \$4,597) relating to the APBP of Crown Partners Fund (see Note 7). In the year ended December 31, 2022, the provision for performance bonus payable decreased by \$1,488, representing a performance bonus recovery for the period (2021 – performance bonus expense of \$1,358).

As at December 31, 2022, no amounts have been accrued in relation to the APBP of Crown Power Fund.

15. 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, 2022, the Crown Credit Facility was 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 provided financing at a variable interest rate based on Prime Rate plus 275 to 350 bps, had a customary set of covenants, and had a maturity date of May 7, 2024, which was subject to annual extension by one or more years at the request of the Corporation.

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15. Credit facilities (continued):

Effective February 7, 2023, the Corporation entered into a new senior secured corporate credit facility that was used to fund a full repayment and cancellation of lender commitments in respect of the Crown Credit Facility (see Note 27).

As of December 31, 2022, \$18,250 (December 31, 2021 - \$nil) has been drawn on the Crown Credit Facility, and letters of credit totalling \$3,173 were issued and outstanding. The Crown Credit Facility was 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, 2022 was \$80,887 (December 31, 2021 - \$90,762).

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. 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.

The following table reconciles opening balances to closing balances for the Crown Credit Facility and CCPF Credit Facility as at December 31, 2022 and December 31, 2021:

As at	December 31, 2022	
		Crown Credit Facility
Balance drawn		
Balance, January 1, 2022	\$	-
Net advances		18,250
Balance, December 31, 2022	\$	18,250
Deferred finance costs		
Balance, January 1, 2022	\$	(334)
Amortization		168
Additions		(17)
Balance, December 31, 2022	\$	(183)
Carrying value – December 31, 2022	\$	18,067

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15. Credit facilities (continued):

As at	December 31, 2021		
	Crown Credit Facilities	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	270	86	356
Additions	(455)	(30)	(485)
Derecognition of subsidiary ¹	-	284	284
Balance, December 31, 2021	\$ (334)	\$ -	\$ (334)
Carrying value – December 31, 2021	\$ (334)	\$ -	\$ (334)

¹ 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 7).

16. 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 and commenced on December 31, 2018. The Convertible Debentures are direct, unsecured obligations of the Corporation that are 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). 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.

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16. 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.

The fair value of the Corporation's convertible debentures – liability component is \$19,000 at December 31, 2022 (December 31, 2021 - \$19,950). 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.

As at	December 31, 2022			
		Liability Component (current)		Equity Component
Balance, January 1, 2022	\$	19,334	\$	483
Effective interest on Convertible Debentures		436		-
Balance, December 31, 2022	\$	19,770	\$	483

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

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17. Finance costs:

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, 2022 and December 31, 2021:

For the year ended	December 31, 2022			
	Crown Credit Facility	Convertible Debentures	Lease and other Obligations	Total
Interest	\$ 788	\$ 1,200	\$ 758	\$ 2,746
Standby and other lending fees	82	-	-	82
Amortization of deferred finance costs	168	436	203	807
Total Finance Costs	\$ 1,038	\$ 1,636	\$ 961	\$ 3,635

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

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18. Non-controlling interests (NCI):

As at and for the year ended	December 31, 2022
	Crown Power Fund
NCI percentage	56.8%
Beginning balance, January 1, 2022	\$ 18,796
Allocation of net loss	(1,548)
Contributions	5,116
Distributions	(294)
Balance, December 31, 2022	\$ 22,070

As at and for the year ended	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 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 7).

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19. 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, 2022	December 31, 2021
Cash and cash equivalents	\$ 7,244	\$ 10,842
Accounts receivable	14,195	6,056
Lease earn-out note receivable	-	4,603
Investments in debt securities at FVTPL	-	500
Investments in debt securities at amortized cost	2,076	3,826
Investment in Crown Partners Fund	34,557	47,369
Net investment in leased distributed power equipment	11,994	9,564
	\$ 70,066	\$ 82,760

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19. Financial risk management (continued):

(c) Credit risk (continued):

Management fees receivable from the Corporation's managed investment fund are funded by cash flows from the underlying investments.

The debt instruments held by the Corporation and in the underlying specialty finance 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.

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19. 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, 2022	December 31, 2021
On demand	\$ -	\$ -
0 – 12 months	50,666	24,459
1 – 3 years	29,481	21,025
3 – 5 years	8,331	4,597
5 years or more	5,444	1,063
Total carrying value of financial liabilities	\$ 93,922	\$ 51,144

As at December 31, 2022, the Corporation had a deficit of current assets over current liabilities of \$22,504 (December 31, 2021 – excess of \$2,199), \$3,808 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 \$1,750 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 takes 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. In addition, the Corporation refinanced the Crown Credit Facility subsequent to December 31, 2022 (see Note 27(b)).

(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.

Effective February 1, 2023, the Corporation, through Galaxy, entered into a five-year U.S. dollar-denominated purchase commitment for the use of broadband network infrastructure (see Note 27(a)).

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 \$1,984 and 3.9%, respectively (2021 – \$76 and 0.1%, respectively). If the U.S. dollar appreciated (depreciated) by 100 bps, the Corporation's net (loss) income and comprehensive (loss) income and total equity for the years ended and as at December 31, 2022 and December 31, 2021 would not be meaningfully impacted.

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19. 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 and mortgages payable would increase (decrease) by \$190 (2021 - \$54).

- 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.

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. Excluding the equity securities held at FVTPL of the underlying investment portfolio of Crown Partners Fund, 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 (decrease) by \$3 (2021 - \$3).

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20. 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, 2021, the Corporation renewed its normal course issuer bid ("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 was completed or terminated at the Corporation's option. Any 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 were 170,156.

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.

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 purchase price of \$7.50 per common share in cash for an aggregate purchase price not to exceed \$9,975. On March 8, 2022, the Corporation purchased and subsequently cancelled 1,330,000 common shares pursuant to the Third Offer for total consideration of \$9,975, excluding fees and expenses relating to the Third Offer totaling \$87.

On April 13, 2022, the Corporation renewed its NCIB to purchase up to 280,000 of its common shares, representing approximately 5.0% of its issued and outstanding shares as at March 31, 2022, 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, 2022 were nil.

During the year ended December 31, 2022, the Corporation purchased and cancelled a total of 1,450,556 shares (December 31, 2021 – 1,982,317 shares) for total consideration of \$10,969 (December 31, 2021 - \$13,804). The difference between the total consideration paid in respect of these purchases and the average carrying value of cancelled shares was \$1,443 (December 31, 2021 - \$3,157), net of fees and expenses relating to the purchases, and was recognized as a reduction to deficit.

During the year ended December 31, 2022, the Corporation issued nil shares as vested share-based compensation (December 31, 2021 – 18,951 shares) (see Note 13).

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21. Acquisition of subsidiaries:

(a) Acquisition of Go Direct Global:

(i) Consideration transferred:

On June 24, 2022, the Corporation acquired 100% of the common shares, voting interests and preferred shares of Go Direct Global, a distribution services company that provides end-to-end integrated ecommerce and business-to-business order fulfillment and distribution services, including warehousing and freight management. The Corporation expects to achieve revenue growth, obtain scale and expand capabilities geographically within its distributed services segment to target a growing need for distribution services in Canada and the United States.

For the period from June 24, 2022 to December 31, 2022, Go Direct Global contributed revenue of \$14,071 and loss before income taxes of \$(1,947) to the Corporation's results. If the acquisition had occurred on January 1, 2022, management estimates that consolidated revenue and consolidated net loss for the year ended December 31, 2022 would have been \$53,818 and \$(7,853), 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, 2022.

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

	June 24, 2022
Fair value of pre-existing investment in a Canadian debt security ¹	\$ 3,985
Total consideration transferred	\$ 3,985

¹ The Corporation and Go Direct Global were parties to a promissory note contract under which the Corporation advanced amounts to satisfy Go Direct Global's working capital requirements at the Corporation's discretion. This pre-existing relationship was effectively terminated when the Corporation acquired Go Direct Global (see Note 21(a)(iv)).

(ii) Acquisition-related costs:

The Corporation incurred legal fees of \$4 in relation to this acquisition. These costs have been included in general and administration expenses.

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21. Acquisition of subsidiaries (continued):

(a) Acquisition of Go Direct Global:

(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.

	June 24, 2022
Cash and cash equivalents	\$ 621
Accounts receivable	5,159
Prepaid expenses and other assets	456
Property and equipment	12,209
Customer contracts	3,342
Accounts payable and accrued liabilities	(3,901)
Factor facility	(586)
Deferred income tax liability	(123)
Lease obligations	(10,195)
Long-term debt	(2,924)
Total identifiable net assets acquired	\$ 4,058

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

Assets acquired	Valuation technique
Accounts receivable	<i>Income technique:</i> 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.
Customer contracts	<i>Multi-period excess earnings method:</i> The fair value of customer contracts considers the present value of net cash flows in respect of 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.
Property and equipment	<i>Cost technique:</i> The fair value of property and equipment considers depreciated replacement cost, which reflects adjustments for physical deterioration as well as functional and economic obsolescence.

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21. Acquisition of subsidiaries (continued):

(a) Acquisition of Go Direct Global:

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

Accounts receivable comprise gross contractual amounts due of \$5,159, of which \$10 was expected to be uncollectible as at the date of acquisition.

Long-term debt represents debt payable by Go Direct SCS that is not guaranteed or supported in any way by the Corporation or any of its other subsidiaries, including Go Direct Global. The long-term debt of Go Direct SCS is comprised of multiple loans that have an aggregate gross contractual value of \$15,662. The value assigned to this long-term debt reflects the best estimate of the net present value of future cash flows of Go Direct SCS available to service this debt. The Corporation's wholly-owned subsidiary CCF III is the general partner of NCOF LP, an investment fund that is managed by the Corporation and which maintains a loan investment in Go Direct SCS.

Lease obligations in relation to the use of leased premises for the provision of distribution services are measured at the present value of the lease payments that are not paid, discounted using the Corporation's incremental borrowing 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.

(iv) Settlement of pre-existing relationship:

The Corporation and Go Direct Global were parties to a promissory note contract under which the Corporation advanced amounts to satisfy Go Direct Global's working capital requirements at the Corporation's discretion. This pre-existing relationship was effectively terminated when the Corporation acquired Go Direct Global. The fair value of the loan at the date of acquisition was \$3,985. The settlement of the promissory note contract did not result in a realized gain (loss).

(v) Gain on acquisition:

	June 24, 2022
Fair value of identifiable net assets	\$ 4,058
Consideration transferred	(3,985)
Gain on acquisition	\$ 73

CROWN CAPITAL PARTNERS INC.

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As at and for the years ended December 31, 2022 and 2021

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

21. Acquisition of subsidiaries (continued):

(b) 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.

CROWN CAPITAL PARTNERS INC.

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As at and for the years ended December 31, 2022 and 2021

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21. Acquisition of subsidiaries (continued):

(b) 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	1,003
Accounts payable and accrued liabilities	(992)
Deferred income tax liability	(127)
Total identifiable net assets acquired	\$ 393

CROWN CAPITAL PARTNERS INC.

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21. Acquisition of subsidiaries (continued):

(b) 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	<i>Income technique:</i> 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	<i>Estimated depreciated replacement cost:</i> The fair value of property and equipment considers the original cost and depreciated over estimated economic life.
Credit reporting customer contracts	<i>Multi-period excess earnings method:</i> 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.

(iv) Gain on acquisition:

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

CROWN CAPITAL PARTNERS INC.

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21. Acquisition of subsidiaries (continued):

(c) 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 21(c)(iv)).

CROWN CAPITAL PARTNERS INC.

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21. Acquisition of subsidiaries (continued):

(c) 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

CROWN CAPITAL PARTNERS INC.

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21. Acquisition of subsidiaries (continued):

(c) 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 and liabilities assumed were as follows:

Assets acquired and liabilities assumed	Valuation technique
Accounts receivable	<i>Income technique:</i> 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	<i>Market comparison technique:</i> 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	<i>Expected cash flows:</i> 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	<i>Cost approach:</i> 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.

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

CROWN CAPITAL PARTNERS INC.

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21. Acquisition of subsidiaries (continued):

(c) 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	\$ -

22. 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.

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22. 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 and liabilities assumed were as follows:

Assets acquired and liabilities assumed	Valuation technique
Accounts receivable	<i>Income technique:</i> 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	<i>Market comparison technique:</i> 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	<i>Cost approach:</i> 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.

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23. Net change in non-cash working capital:

Year ended December 31,	2022	2021
Accounts receivable	\$ (1,776)	\$ 3,698
Prepaid expenses	(2,098)	582
Inventory	(350)	(297)
Accounts payable and accrued liabilities	1,020	(1,674)
Deferred revenue	(311)	599
Contingent consideration	(650)	(2,651)
Total	\$ (4,165)	\$ 257

24. Segment information:

The Corporation has six reportable segments, which are its strategic operating components that engage in business activities from which revenues are earned and expenses are incurred. 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.

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Network services	Deployment and management of carrier-grade data networks to select underserved markets.
Distribution services	Provision of end-to-end integrated ecommerce and business-to-business order fulfillment and distribution services, including warehousing and freight management.
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.
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 in respect of reportable segments for the years ended December 31, 2022 and December 31, 2021 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.

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24. Segment information (continued):

For the year ended	December 31, 2022						
Reportable segments	Network services	Distribution services	Specialty finance	Distributed power	Real estate	Corporate and other	Total
External revenues ¹	\$ 27,262	\$ 14,071 ⁴	\$ -	\$ 1,623	\$ -	\$ 1,879	\$ 44,835
Net realized loss on investments	-	-	(1,268)	-	-	-	(1,268)
Net change in unrealized gain of investments	-	-	1,270	-	-	-	1,270
Revenues	27,262	14,071	2	1,623	-	1,879	44,837
Share of losses of Crown Partners Fund²	-	-	(4,656)	-	-	-	(4,656)
Segment income (loss) before income taxes³	3,084	(1,947)	(3,166)	(1,021)	144	(6,682)	(9,588)
Cost of network services	13,789	-	-	-	-	-	13,789
Cost of distribution services	-	10,041	-	-	-	-	10,041
Financing costs	175	567	-	203	-	2,690	3,635
Depreciation	3,876	1,918	-	4	-	377	6,175
Income tax expense (recovery) – current	1,250	12	-	3	-	(550)	715
Income tax expense (recovery) – deferred	(458)	(202)	-	38	38	(2,244)	(2,828)

Information in respect of reportable segments for the year ended December 31, 2022 is continued on the next page.

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As at and for the years ended December 31, 2022 and 2021

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24. Segment information (continued):

For the year ended	December 31, 2022						
Reportable segments	Network services	Distribution services	Specialty finance	Distributed power	Real estate	Corporate and other	Total
Other material non-cash items:							
Provision for (recovery of) expected credit loss	(617)	-	-	27	-	-	(590)
Performance bonus recovery	-	-	(1,488)	-	-	-	(1,488)
Impairment of property and equipment	-	-	-	350	-	-	350
Impairment of distributed power equipment under development and related deposits	-	-	-	3,291	-	-	3,291
Net additions to (disposals of) property and equipment	1,148	11,482	-	(57)	-	10	12,583

¹ Three customers from the Corporation's "network services" segment and three customers of the Corporation's "distribution services" segment represented approximately \$10,923 and \$10,678, respectively, of the Corporation's total revenues.

² The Corporation's share of losses from Crown Partners Fund in respect of its limited partnership and general partnership interests, is a non-cash item that does not equal the value of distributions paid to the Corporation by Crown Partners Fund (see Note 7).

³ Total segment income (loss) before income taxes represents the Corporation's consolidated income (loss) before income taxes. Management fee revenue earned from a certain consolidated entity 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 "distributed power" segment.

⁴ Distribution services revenue includes \$11,076 of warehousing and distribution services revenue and \$2,995 of freight management services revenue.

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24. Segment information (continued):

For the year ended	December 31, 2021						
Reportable segments	Network services	Distribution services	Specialty finance	Distributed power	Real estate	Corporate and other	Total
External revenues ¹	\$ 27,643	\$ -	\$ 12,592	\$ 1,857	\$ -	\$ 812	\$ 42,904
Net realized gain (loss) on investment	-	-	197	-	(130)	19	86
Net change in unrealized loss of investments	-	-	(322)	-	-	-	(322)
Revenues	27,643	-	12,467	1,857	(130)	831	42,668
Share of earnings of Crown Partners Fund²	-	-	4,728	-	-	-	4,728
Segment income (loss) before income taxes³	4,230	-	7,061	358	(2,242)	(7,026)	2,381
Cost of network services	12,986	-	-	-	-	-	12,986
Financing costs	328	-	817	-	-	2,930	4,075
Depreciation	3,610	-	-	-	-	270	3,880
Income tax expense (recovery) – current	889	-	-	-	-	(431)	458
Income tax expense (recovery) – deferred	101	-	-	(12)	(489)	313	(87)

Information in respect of reportable segments for the year ended December 31, 2021 is continued on the next page.

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24. Segment information (continued):

For the year ended	December 31, 2021						
Reportable segments	Network services	Distribution services	Specialty finance	Distributed power	Real estate	Corporate and other	Total
Other material non-cash items:							
Provision for (recovery of) expected credit loss	36	-	2,388	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
Net additions to property and equipment	1,063	-	-	130	-	3	1,196

¹ External revenues of the “specialty finance” segment include interest revenue of \$11,776 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 The Corporation’s share of earnings from Crown Partners Fund in respect of its limited partnership and general partnership interests, is a non-cash item that does not equal the value of distributions paid to the Corporation by Crown Partners Fund (see Note 7).

³ 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.

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24. Segment information (continued):

As at	December 31, 2022						
Reportable segments	Network services	Distribution services	Specialty finance	Distributed power	Real estate	Corporate and other	Total
Segment assets ^{1,2}	\$ 23,849	\$ 32,867	\$ 36,658	\$ 37,810	\$ 27,535	\$ 7,943	\$ 166,662
Segment liabilities ^{1,2}	8,199	27,941	3,109	22,139	12,478	42,126	115,992

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, 2021						
Reportable segments	Network services	Distribution services	Specialty finance	Distributed power	Real estate	Corporate and other	Total
Segment assets ^{1,2}	\$ 19,752	\$ -	\$ 51,695	\$ 32,354	\$ 28,251	\$ 8,063	\$ 140,115
Segment liabilities ^{1,2}	9,642	-	4,597	18,996	13,375	24,430	71,040

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.

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25. Income taxes:

The Corporation's reconciliation of income tax (recovery) 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,	2022	2021
Earnings before income tax	\$ (9,588)	\$ 2,381
Statutory income tax rate ¹	24.8%	24.8%
Income tax at statutory income tax rate	(2,378)	590
Non-deductible expenses and other	80	(10)
Non-deductible share compensation expense	1	(76)
Change in deferred tax assets not recognized	184	(133)
Income tax (recovery) expense	\$ (2,113)	\$ 371

¹ 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, 2022			
	Balance January 1, 2022	Recognized in profit and loss	Additions through acquisition	Balance December 31, 2022
Property and equipment	\$ (1,584)	\$ 542	\$ (41)	\$ (1,083)
Customer contracts	(377)	204	(102)	(275)
Financing costs	(41)	36	-	(5)
Amortized cost adjustment	131	-	-	131
Deferred compensation	232	130	-	362
Performance bonus	1,154	(373)	-	781
Credit loss allowance timing difference	394	-	-	394
Cost basis of investment in Crown Partners Fund	(1,640)	781	-	(859)
Non-capital losses	631	1,508	20	2,159
	\$ (1,100)	\$ 2,828	\$ (123)	\$ 1,605

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25. Income taxes (continued):

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)	\$ 863	\$ (1,032)	\$ (1,584)
Customer contracts	-	(111)	(266)	(377)
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)

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

Year ended December 31,	2022	2021
Property and equipment	\$ 17,092	\$ 15,613
Finance costs	28	282
Non-capital losses	17,223	4,371
Total	\$ 34,343	\$ 20,266

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26. 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.

Key management personnel compensation for the years ended December 31, 2022 and 2021 is comprised of:

For the years ended December 31,	2022	2021
Salaries and benefits	\$ 1,205	\$ 1,404
Share-based compensation	526	738
Performance bonus (recovery) expense ¹ (Note 14)	(659)	1,006
	\$ 1,072	\$ 3,148

¹ For the years ended December 31, 2021 and 2022, represents allocations of accrued performance bonus (recovery) 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, 2022, accounts receivable included \$500 due from NCOF LP (2021 - \$500).

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 and as at December 31, 2022.

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.

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27. Commitments and contingencies:

The following is a summary of the Corporation's financial commitments as at December 31, 2022:

As at December 31, 2022 the Corporation, through Crown Power Fund, had committed to contracts valued at \$27,795 in relation to the construction of power generation assets, of which \$18,849 was funded and included in property and equipment under development and related deposits, \$4,398 was funded and included in property and equipment and \$4,548 was unfunded, of which \$2,585 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, 2022. 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 \$2,891 as at December 31, 2022. 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 \$870 as at December 31, 2022.

The Corporation, through Galaxy has an aggregate commitment with respect to its use of broadband network infrastructure of \$9,284 as at December 31, 2022.

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 \$1,409 as at December 31, 2022 (December 31, 2021 - \$1,656), and which are secured by common shares of the Corporation owned by such participants with a value of \$3,575 as at December 31, 2022 (December 31, 2021 - \$2,979).

The Corporation, through CNP, is party to surety bonds totaling \$163,500. These bonds are security agreements necessary to support CNP's participation as an internet service provider under the *Ontario Connects: Accelerated High Speed Internet Program*, through which the maximum subsidy available to CNP is approximately \$150,000.

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 (loss) income.

CROWN CAPITAL PARTNERS INC.

Notes to consolidated financial statements

As at and for the years ended December 31, 2022 and 2021

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

28. Subsequent events

- (a) Effective February 1, 2023, the Corporation, through Galaxy, entered into a five-year U.S. dollar-denominated purchase commitment for the use of broadband network infrastructure with Network Access Associates Ltd. (“OneWeb”) to deliver low Earth orbit connectivity solutions across Canada. The Corporation, through Galaxy, has an aggregate commitment with respect to its purchase of broadband network infrastructure of \$67,431, based on a \$49,750 U.S. dollar-denominated purchase commitment, over five years.

Year	Purchase commitment
2023	\$ 11,182
2024	14,367
2025	14,638
2026	13,554
2027	13,690
Total	\$ 67,431

- (b) Effective February 7, 2023, the Corporation entered into a new senior secured corporate credit facility with Canadian Western Bank of up to \$43,500 to be used to fund a full repayment and cancellation of lender commitments in respect of the Crown Credit Facility, support working capital and growth capital requirements of the Corporation and its operating businesses, and to fund the Corporation’s remaining capital commitment in respect of Crown Power Fund. The new senior secured corporate credit facility replaced the Crown Credit Facility and includes an amortizing term loan of up to \$30,000 with a maturity date of February 7, 2028, an operating loan of up to \$10,000 with availability subject to margin condition restrictions, and a letter of credit facility of up to \$3,500. The term loan is comprised of an initial advance of \$25,000 plus \$5,000 to be advanced upon request by the Corporation prior to June 30, 2023. The term loan and the operating loan provide financing at variable interest rates based on Prime Rate plus 165 bps to 265 bps and 200 bps to 300 bps, respectively, and feature a customary set of covenants.