Consolidated Financial Statements of

CROWN CAPITAL PARTNERS INC.

Years ended December 31, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Crown Capital Partners Inc.

Opinion

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

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017;
- the consolidated statements of comprehensive income 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, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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.
- the information, other than the financial statements and the auditors' report thereon, included in the Entity's Annual Report.

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, or appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in the Entity's Annual Report is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

The engagement partner on the audit resulting in this auditors' report is Anna Marie Alderson.

KPMG LLP

Chartered Professional Accountants
Calgary, Canada
March 4, 2019

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

As at		**December 31, 2018**		**December 31, 2017**
Assets				
Cash and cash equivalents	$	11,307	$	41,106
Accounts receivable		4,388		3,048
Income taxes recoverable		-		42
Prepaid expenses and deposits		220		604
Investments (Note 4)		246,862		181,302
Share purchase loans (Note 11)		638		2,226
Office equipment		124		11
Equipment under development and related deposits (Note 15)		12,030		-
Deferred income taxes (Note 16)		352		711
	$	**275,921**	**$**	**229,050**
Liabilities and Shareholders' Equity				
Accounts payable and accrued liabilities	$	1,143	$	1,527
Distributions payable to non-controlling interests		2,765		2,015
Income taxes payable		287		-
Deferred compensation (Note 7)		265		-
Provision for performance bonus (Note 10)		2,679		2,665
Credit facility (Note 8)		17,730		-
Convertible debentures - liability component (Note 9)		18,222		-
Non-controlling interests (Note 13)		127,938		118,394
Total Liabilities		171,029		124,601
Equity				
Share capital (Note 6)		97,615		96,570
Convertible debentures - equity component (Note 9)		483		-
Contributed surplus		1,397		2,931
Retained earnings		5,397		4,948
Total Equity		104,892		104,449
	$	**275,921**	**$**	**229,050**

Commitments (Note 15)
Subsequent events (Note 17)

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 Income

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

For the years ended December 31,		**2018**		**2017**
Revenues				
Interest revenue	$	26,592	$	20,311
Fees and other income		3,540		5,634
Performance fee distributions (Note 10)		-		1,044
Net gain on investments				
Net realized gain (loss) from investments		222		3,344
Net change in unrealized gains (losses) on investments		2,312		(1,325)
		32,666		29,008
Expenses				
Salaries, management fees and benefits		2,690		2,391
Share-based compensation (Note 7)		1,555		1,683
General and administration		1,994		1,439
Performance bonus expense		998		2,063
Depreciation		34		6
Provision for credit losses		118		-
Finance costs (Notes 8 and 9)		2,096		559
		9,485		8,141
Earnings before income taxes		23,181		20,867
Income taxes (Note 16)				
Current tax expense		2,400		1,968
Deferred tax		505		828
		2,905		2,796
Net income and comprehensive income	$	20,276	$	18,071
Net income and comprehensive income attributable to:				
Shareholders of the Corporation	$	7,051	$	6,735
Non-controlling interests (Note 13)		13,225		11,336
	$	20,276	$	18,071
Earnings per share attributable to shareholders:				
Basic	$	0.74	$	0.71
Diluted	$	0.73	$	0.69
Weighted average number of shares, basic		9,546,122		9,524,972
Weighted average number of shares, diluted		9,679,289		9,825,532

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

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

	Number of shares	Share capital	Convertible debentures - equity component	Contributed surplus	Retained earnings	Total Equity
Balance as at January 1, 2017	9,514,759	$ 96,635	$ -	$ 1,900	$ 2,984	$ 101,519
Net income and comprehensive income attributable to shareholders of the Corporation	-	-	-	-	6,735	6,735
Share-based compensation (Note 7)	-	-	-	1,683	-	1,683
Cash-settled share-based compensation (Note 7)	-	-	-	(280)	(24)	(304)
Issuance of common shares (Note 6)	38,274	372	-	(372)	-	-
Shares repurchased (Note 6)	(43,016)	(437)	-	-	15	(422)
Dividends declared (Note 6)	-	-	-	-	(4,762)	(4,762)
Balance as at December 31, 2017	9,510,017	$ 96,570	$ -	$ 2,931	$ 4,948	$ 104,449
Balance as at January 1, 2018	9,510,017	$ 96,570	$ -	$ 2,931	$ 4,948	$ 104,449
Impact of adoption of IFRS 9 (Note 3)	-	-	-	-	(888)	(888)
Adjusted balance as at January 1, 2018	9,510,017	96,570	-	2,931	4,060	103,561
Net income and comprehensive income attributable to shareholders of the Corporation	-	-	-	-	7,051	7,051
Share-based compensation (Note 7)	-	-	-	1,385	-	1,385
Cash-settled share-based compensation (Note 7)	-	-	-	(546)	(9)	(555)
Issuance of common shares (Note 6)	237,318	2,373	-	(2,373)	-	-
Shares repurchased (Note 6)	(130,780)	(1,328)	-	-	28	(1,300)
Conversion feature of Convertible Debentures issued, net of tax effect (Note 9)	-	-	483	-	-	483
Dividends declared (Note 6)	-	-	-	-	(5,733)	(5,733)
Balance as at December 31, 2018	9,616,555	$ 97,615	$ 483	$ 1,397	$ 5,397	$ 104,892

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,	**2018**	**2017**
Cash provided by (used in) operating activities		
Net income	$ 20,276	$ 18,071
Adjustments for:		
Net realized gain from investments	(222)	(3,344)
Net change in unrealized (gains) losses in fair value on investments	(2,312)	1,325
Finance fees received on loans carried at amortized cost, net of non-cash finance fees	1,473	-
Interest income	(26,592)	(20,311)
Interest income received in the year	23,903	19,145
Provision for expected credit loss	118	-
Non-cash finance costs	466	283
Depreciation	34	6
Current income tax	2,400	1,968
Income taxes paid in the year	(2,071)	(2,919)
Deferred income tax	505	828
Share-based compensation, net of cash settlements	1,000	1,378
Provision for performance bonus, net of payments	14	(244)
Net change in non-cash working capital (Note 14)	(892)	174
	18,100	16,360
Cash provided by (used in) investing activities		
Proceeds from repayment of debt securities	37,572	91,926
Proceeds from sale of equity securities	-	1,390
Addition of investments	(102,428)	(113,648)
Share purchase loan advances, net of repayments	1,588	(2,226)
Purchase of office equipment	(147)	-
Purchase of equipment under development and related deposits	(12,030)	-
	(75,445)	(22,558)
Cash provided by (used in) financing activities		
Non-controlling interests contributions to Crown Partners Fund (Note 13)	32,607	69,521
Distributions paid by NCOF II to non-controlling interests	-	(6,121)
Distributions paid by Crown Partners Fund to non-controlling interests	(34,642)	(29,355)
Credit facility advances, net of repayments (Note 8)	18,000	-
Issuance of convertible debentures, net of issuance costs (Note 9)	18,703	-
Shares repurchased (Note 6)	(1,300)	(422)
Dividends (Note 6)	(5,733)	(4,762)
Deferred financing costs	(89)	(30)
Net change in non-cash working capital (Note 14)	-	(789)
	27,546	28,042
Increase (decrease) in cash and cash equivalents	(29,799)	21,844
Cash and cash equivalents, beginning of year	41,106	19,262
Cash and cash equivalents, end of year	$ 11,307	$ 41,106
Supplemental cash flow information:		
Interest paid in the year	$ 1,436	$ -

See accompanying notes to consolidated financial statements.

1. Reporting entity:

Crown Capital Partners Inc. (the "Corporation") was incorporated under the Canada Business Corporations Act on September 8, 1999 and commenced operations effective October 1, 2000. The Corporation provides investment management services and its registered office is Suite 888 3rd Street S.W., Calgary, Alberta. These consolidated financial statements as at and for the years ended December 31, 2018 and 2017 comprise the Corporation and its subsidiaries, which include:

- A 100% interest (December 31, 2017 – 100%) in Crown Capital Funding Corporation ("CCFC");
- Through CCFC, a 100% interest (December 31, 2017 – 100%) in Crown Capital Private Credit Fund, LP ("Crown Private Credit Fund");
- Through CCFC, an effective interest of 37.0% (July 1, 2018 to September 30, 2018 – 37.1%; July 1, 2017 to June 30, 2018 - 36.5%; January 1, 2017 to June 30, 2017 – 35.0%; prior to January 1, 2017 – 40%) in Crown Capital Partner Funding, LP ("Crown Partners Fund"). Crown Partners Fund was formerly named Crown Capital Fund IV, LP prior to its name change, which was effective July 23, 2018;
- A 100% interest (December 31, 2017 – 100%) in Crown Capital Private Credit Management Inc. ("CCPC MI"), the general partner of Crown Private Credit Fund;
- A 100% interest (December 31, 2017 – 100%) in Crown Capital LP Partner Funding Inc. ("CCPF MI") previously named Crown Capital Fund IV Management Inc., the general partner of Crown Partners Fund and Crown Capital Fund IV Investment, LP ("CCF IV Investment");
- Prior to its dissolution on June 30, 2017, a 69.8% interest in Norrep Credit Opportunities Fund II, LP ("NCOF II");
- A 100% interest (December 31, 2017 – 100%) in Crown Capital Fund III Management Inc. ("CCF III"), the general partner and manager of Norrep Credit Opportunities Fund, LP and, prior to their dissolution on June 30, 2017, NCOF II and Norrep Credit Opportunities Fund II (Parallel), LP ("NCOF II (Parallel)");
- Effective June 8, 2018 upon its formation, a 100% interest (December 31, 2017 – nil) in Crown Capital Power Limited Partnership ("Crown Power Fund"); and
- Effective June 8, 2018 upon its incorporation, a 100% interest (December 31, 2017 – nil) in 10824356 Canada Inc., the general partner of Crown Power Fund.

On June 30, 2015, the Corporation became a reporting issuer when it filed a prospectus with all provincial securities commissions in Canada in respect of an Initial Public Offering ("IPO").

2. Basis of preparation:

(a) Statement of compliance:

The 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 4, 2019.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, other than investments carried at fair value through profit or loss.

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

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

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

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

(ii) Notes 3 (j) and 7 – measurement of share-based compensation; and

(iii) Notes 3 (l) and 16 – recognition of deferred tax assets.

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 control is transferred to the Corporation. 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.

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 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.

(d) IFRS 9 *"Financial Instruments"* ("IFRS 9"):

On January 1, 2018, the Corporation adopted IFRS 9, which replaces the guidance in IAS 39 "*Financial Instruments: Recognition and Measurement"* ("IAS 39"). The Corporation applied IFRS 9 on a retrospective basis through an adjustment to retained earnings as at January 1, 2018 and did not restate 2017 and prior period comparative consolidated financial statements, which are reported under IAS 39 and are therefore not comparable to the information presented in 2018.

The new standard brings fundamental changes to the accounting for financial assets. The key aspects of IFRS 9 and their impact to the Corporation's accounting policies resulting from its adoption are summarized below.

Classification and measurement

IFRS 9 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. IFRS 9 contains three principal classification categories for financial assets that are debt securities: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). Equity securities are generally measured at FVTPL unless an election is taken to measure at FVOCI. The standard eliminates the existing IAS 39 categories of held to maturity, held for trading, loans and receivables and available-for-sale.

The Corporation's classification and measurement of equity investments and financial liabilities remain unchanged under IFRS 9 and these will continue to be measured at FVTPL and amortized cost, respectively.

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

3. Significant accounting policies (continued):

(d) IFRS 9 *"Financial Instruments"* ("IFRS 9") (continued):

The Corporation's 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.

For periods prior to January 1, 2018 for which the Corporation reported comparative consolidated financial statements under IAS 39, all of the Corporation's debt instruments were classified and measured at FVTPL. Therefore, for those debt instruments which are now classified and measured at amortized cost under IFRS 9, a transition adjustment was applied to opening retained earnings as at January 1, 2018. This adjustment includes an amount to reverse up-front financing fees previously recognized under IAS 39 at the time related debt instruments were originated and to defer and amortize such fees over the term of the related debt instrument as part of the effective interest rate. Financing fees earned at the time of origination of instruments accounted for at FVTPL will continue to be recognized when the debt instrument is originated. The impact of adoption of IFRS 9 to opening retained earnings was a reduction of $888, as detailed in the following table.

As at January 1, 2018	
Investments at amortized cost:	
Amortized cost under IFRS 9	$114,498
Fair value under IAS 39	(116,499)
Allowance for expected credit loss under IFRS 9	(103)
Difference in carrying value of investments at amortized cost	(2,104)
Non-controlling interest adjustment (Note 13)	896
Total difference in carrying values before tax impact	(1,208)
Tax impact on difference in carrying values (26.5% effective tax rate)	320
Impact of adoption of IFRS 9 to retained earnings	$ (888)

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

3. Significant accounting policies (continued):

(d) IFRS 9 *"Financial Instruments"* ("IFRS 9") (continued):

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts upon transition to IFRS 9 as at January 1, 2018.

	IAS 39 carrying amount at December 31, 2017	**Reclassification**	**Remeasurement**	**IFRS 9 carrying amount at January 1, 2018**
Investments:				
Canadian debt securities at FVTPL	$ 174,519	$ (116,499)	$ -	$ 58,020
Canadian debt securities at amortized cost, net of allowance for credit loss	-	116,499	(2,104)	114,395
Canadian equity securities	4,202	-	-	4,202
Other investments	2,581	-	-	2,581
Total Investments	$ 181,302	$ -	$ (2,104)	$ 179,198

Financial assets and financial liabilities at fair value through profit or loss are initially recognized on the trade date, which is the date on which the Corporation becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they originated.

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 or 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.

3. Significant accounting policies (continued):

(d) IFRS 9 *"Financial Instruments"* ("IFRS 9") (continued):

Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss model that applies to financial assets, including debt investments 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.

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.

As a result of the new impairment model under IFRS 9, the Corporation recorded an allowance for credit losses of $103 on January 1, 2018.

(e) IFRS 15 *"Revenue from Contracts with Customers"* ("IFRS 15"):

Effective January 1, 2018 the Corporation adopted IFRS 15, replacing IAS 18 "*Revenue"* and other revenue related guidance. The Corporation adopted IFRS 15 using the modified retrospective with cumulative effect approach and, as permitted, elected to apply the new standard only to contracts that were not completed contracts on January 1, 2018. There was no material transitional impact on conversion to IFRS 15.

3. Significant accounting policies (continued):

(f) Compound financial instruments:

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

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

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

(g) Revenue recognition:

(i) Interest revenue

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

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

(ii) Dividend income

Dividend income is recognized in profit or loss on the date on which the right to receive payment is established. This is usually the ex-dividend date.

3. Significant accounting policies (continued):

(g) Revenue recognition (continued):

(iii) Fees and other income

Revenue from investment management services rendered are generally calculated based on the level of invested capital, in accordance with agreements with the managed funds. The fees are earned and recognized over the time during which the assets are managed by the Corporation.

Under certain circumstances the Corporation can voluntarily reduce the management fees. Fees are recognized net of management fee discounts payable to third parties.

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

(iv) 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.

(v) Net gain on investments at FVTPL

Net realized and unrealized gain (loss) from financial instruments at FVTPL is calculated using the average cost method.

(h) Office equipment:

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

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

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

3. Significant accounting policies (continued):

(i) 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.

(j) 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, except those granted on the date of the IPO in which case the closing market value on the date of the grant was used.

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

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

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

3. Significant accounting policies (continued):

(k) Earnings per share:

Basic earnings per share is calculated by dividing the net income 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.

(l) 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.

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

3. Significant accounting policies (continued):

(m) New standards not yet adopted:

IFRS 16 *"Leases"* ("IFRS 16"):

In January 2016, the International Accounting Standards Board issued IFRS 16, which replaced IAS 17: *Leases*. For leases in the scope of IFRS 16, a single recognition and measurement model would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019. The Corporation is in the process of assessing the detailed impacts of this new standard. Under IFRS 16, the Corporation's office lease (see Note 15) will be recorded on the statement of financial position.

The Corporation plans to adopt IFRS 16 initially on January 1, 2019 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019 with no restatement of comparative information.

4. Financial instruments:

(a) Investments

As at	**December 31, 2018**	**December 31, 2017**
Investments at FVTPL:		
Canadian debt securities at FVTPL	$ 69,006	$ 174,519
Canadian equity securities	8,016	4,202
Other investments	4,494	2,581
Total Investments at FVTPL	81,516	181,302
Canadian debt securities at amortized cost	165,567	-
Allowance for credit losses	(221)	-
Total Investments at amortized cost, net of allowance for credit losses	165,346	-
Total Investments	$ 246,862	$ 181,302

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

4. Financial instruments (continued):

(b) Canadian debt securities

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

Contractual maturity	December 31, 2018	December 31, 2017
On demand	$ 17,414	$ 25,000
0 – 12 months	4,660	810
1 – 3 years	60,072	6,480
3 – 5 years	112,400	110,229
5 years or more	40,027	32,000
Total debt securities	$ 234,573	$ 174,519

As at December 31, 2018, investments held in the form of Canadian debt securities had coupon interest rates ranging from 8.0% to 14.0% (December 31, 2017 – 8.0% to 14.0%) per annum.

Interest revenue calculated using the effective interest rate method for debt securities carried at amortized cost totaled $19,321 for the year ended December 31, 2018 (2017 - $nil). The effective interest rates as at December 31, 2018 ranged from 10.0% to 14.6%.

Finance fees recognized in revenue in relation to the repayment of debt securities carried at amortized cost totaled $2,220 for the year ended December 31, 2018 (2017 - $nil).

(c) Canadian equities

As at December 31, 2018, investments in equity securities included common shares in Canadian public companies, warrants in Canadian public companies, common shares of a Canadian private company and warrants in Canadian private companies.

(d) Cash and cash equivalents

Cash and cash equivalents comprises deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Corporation in the management of short-term commitments.

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

4. Financial instruments (continued):

(e) Allowance for credit losses

The changes to the Corporation's allowance for credit losses under IFRS 9, as at and for the year ended December 31, 2018, are shown in the following table.

	Allowance for credit losses
Balance as at January 1, 2018	$ -
Impact of adoption of IFRS 9	103
Adjusted balance as at January 1, 2018	103
Addition of new debt securities	85
Repayment of debt securities	(28)
Net remeasurement of loss allowance	(33)
Transfer to lifetime expected credit loss – not credit impaired	94
Balance as at December 31, 2018	$ 221

As at December 31, 2018, the total gross carrying values of debt instruments at amortized cost classified as Stage One, Stage Two and Stage Three were $122,244, $43,323 and $nil, respectively. The allowance for credit losses associated with these Stage One, Stage Two and Stage Three investments as at December 31, 2018 was $127, $94 and $nil, respectively.

(f) Fair values:

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

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.

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

4. Financial instruments (continued):

(f) Fair values (continued):

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

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

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

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

4. Financial instruments (continued):

(f) Fair values (continued):

The tables below analyze the fair value of investments at December 31, 2018 and December 31, 2017 by the level in the fair value hierarchy into which the fair value measurement is categorized. For investments carried at FVTPL, the amounts are based on the values recognized in the statement of financial position. There were no transfers between levels during the period.

	December 31, 2018				
	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**	**Carrying value**
Canadian debt securities at FVTPL	$ -	$ -	$ 69,006	$ 69,006	$ 69,006
Canadian equity securities	1,416	3,058	3,542	8,016	8,016
Other investments	-	-	4,494	4,494	4,494
Total Investments at FVTPL	1,416	3,058	77,042	81,516	81,516
Canadian debt securities at amortized cost	-	-	168,607	168,607	165,346
Total Investments	$ 1,416	$ 3,058	$ 245,649	$ 250,123	$ 246,862

	December 31, 2017				
	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**	**Carrying value**
Canadian debt securities	$ -	$ -	$ 174,519	$ 174,519	$ 174,519
Canadian equity securities	1,055	1,671	1,476	4,202	4,202
Other investments	-	-	2,581	2,581	2,581
Total Investments	$ 1,055	$ 1,671	$ 178,576	$ 181,302	$ 181,302

4. Financial instruments (continued):

(f) Fair values (continued):

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

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

Discount rates are subject to adjustment based on both management's current assessment of market conditions and the economic performance of individual investments. At December 31, 2018, discount rates used range from 10.4% to 21.5% (December 31, 2017 – 10.7% to 17.9%).

The most significant input into the calculation of fair value of Level 3 debt investments is the discount rate applied to expected future cash flows. If the discount rate increased (decreased) by 100 bps, the fair value of Level 3 investments at December 31, 2018 would decrease by $5,488 or increase by $5,752, respectively.

The Canadian equity securities at December 31, 2018 include warrants classified as Level 3 that are valued based on a net asset value-based estimate of the underlying equity value, and common shares in a Canadian private company classified as Level 3 that are valued using an enterprise value multiple approach. The other investments classified as Level 3 are valued using the discounted present value of expected cash flows arising from these investments.

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

4. Financial instruments (continued):

(f) Fair values (continued):

The following tables reconcile opening balances to closing balances for fair value measurements of investments carried at FVTPL in Level 3 of the fair value hierarchy:

	December 31, 2018	December 31, 2017
Level 3 securities at FVTPL		
Beginning balance	$178,576	$ -
Impact of adoption of IFRS 9	(116,499)	-
Adjusted beginning balance	62,077	154,465
Purchases	10,895	112,507
Repayment	-	(91,927)
Net change in unrealized gains	4,070	3,531
Ending balance	$ 77,042	$ 178,576

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable to non-controlling interests and credit facility approximate their fair values due to their short term to maturity. The carrying value of the share purchase loans approximates the fair value due to the market interest rate on the loans. The carrying value of the convertible debentures – liability component approximates fair value at December 31, 2018 due to the market interest rate at December 31, 2018 which was consistent with that used to record the convertible debentures – liability component upon initial recognition at fair value on June 13, 2018. 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.

5. 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.

The Corporation views its capital as a combination of debt and shareholders' equity balances. The Corporation's securities regulators require the Corporation to maintain a minimum of $100 of excess working capital, in its separate non-consolidated financial position. Management ensures it is meeting this requirement by performing a monthly calculation from internally prepared non-consolidated financial statements. Should there be any indication that the Corporation is nearing the minimum excess working capital threshold, management would take the necessary steps to enhance its working capital position including, but not limited to, such measures as raising equity or acquiring long-term debt. At December 31, 2018, the Corporation was in the process of negotiating an amendment and extension of its senior secured credit facility which was due on December 30, 2019. The classification of the liability under the facility as a current liability in the Corporation's non-consolidated financial statements resulted in the Corporation not satisfying the minimum excess working capital requirements under applicable securities law as at December 31, 2018. The amendment and extension, including a maturity date of May 31, 2021, were completed on February 5, 2019 at which time the liability under the facility was classified as a non-current liability and the Corporation again satisfied the minimum excess working capital requirements at that time.

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

5. Financial risk management (continued):

(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, as well as accounts receivable from the investment funds that it manages.

The maximum exposure to credit risk is summarized as follows:

	December 31, 2018	**December 31, 2017**
Cash and cash equivalents	$ 11,307	$ 41,106
Accounts receivable	4,388	3,048
Income taxes recoverable	-	42
Share purchase loans	638	2,226
Investments in debt securities at FVTPL	69,006	174,519
Investments in debt securities at amortized cost	165,346	-
Unfunded commitments on debt securities at amortized cost (Note 15)	9,572	-
	$260,257	$ 220,941

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

Share purchase loans are personally guaranteed by senior management ("Participants"). Shares of the Corporation funded by these loans are pledged as security for the loans.

The debt instruments held by the Corporation's investment fund subsidiaries 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 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 Corporation follows an internal risk rating process to monitor the credit risk of individual investments. The Corporation generally considers collateral of the underlying businesses, including property, plant and equipment, inventory and receivables, in structuring its investments and managing credit risk. The Corporation actively reviews collateral values and monitors financial results of the underlying businesses regularly against the underlying business plans and industry trends.

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

5. Financial risk management (continued):

(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.

The carrying value of financial liabilities broken down by contractual maturity is as follows, reflecting the subsequent maturity date extension of the amended and revised senior secured revolving credit facility to May 31, 2021:

Contractual maturity	**December 31, 2018**	**December 31, 2017**
On demand	$ -	$ -
0 – 12 months	4,195	4,526
1 – 3 years	17,730	-
3 – 5 years	18,222	-
5 years or more	2,944	1,681
Total carrying value of financial liabilities	$ 43,091	$ 6,207

(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.

(i) 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 and therefore does not have any direct exposure to currency risk. Investee companies may be exposed to fluctuations in currency rates because of sales or expenditures denominated in foreign currencies.

5. Financial risk management (continued):

(e) Market risk (continued):

(ii) 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 convertible debentures bear a fixed rate of interest. The Corporation's exposure to the risk of changes in market interest rates relates primarily to the Corporation's credit facility as its credit facility bears interest at market rates. The Corporation's interest-bearing debt investments are impacted by the credit metrics, liquidity and business fundamentals of the corporate entity with a minimal correlation to interest rates. If interest rates on the Corporation's credit facility increased (decreased) by 100 basis points with all other variables held constant, finance costs on the credit facility would increase (decrease) by $180.

(iii) 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 invests are dependent upon a single product or industry. The Corporation manages this risk through careful due diligence prior to committing funds to the investment.

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

5. Financial risk management (continued):

(iii) Other price risk (continued):

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

	December 31, 2018				December 31, 2017
	Investments at FVTPL	Stage One Investments[1]	Stage Two Investments[1]	% of Total Investments	% of Total Investments
Oil and gas	1.7%	11.1%	7.6%	**20.4%**	**24.6%**
Energy services	6.5%	9.3%	-	**15.8%**	**21.9%**
Technology	0.7%	14.9%	-	**15.6%**	**-**
Services	6.5%	4.5%	-	**11.0%**	**8.4%**
Real estate development	-	-	9.9%	**9.9%**	**13.8%**
Industrial services	0.9%	7.0%	-	**7.9%**	**13.8%**
Retail	6.3%	-	-	**6.3%**	**8.5%**
Diversified	4.2%	-	-	**4.2%**	**-**
Transportation	3.3%	-	-	**3.3%**	**4.4%**
Manufacturing	2.9%	-	-	**2.9%**	**3.9%**
Telecommunications	-	2.5%	-	**2.5%**	**-**
Pharmaceuticals	0.2%	-	-	**0.2%**	**0.7%**
Total	33.2%	49.3%	17.5%	**100.0%**	**100.0%**

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

5. Financial risk management (continued):

(e) Market risk (continued):

(iii) Other price risk (continued):

The Corporation is also exposed to equity price risk, which arises from equity securities held at FVTPL. The Corporation actively monitors the activity and performance of its investments subject to equity price risk. If the underlying share price on equity securities held at FVTPL increased (decreased) by 10%, the fair value of equity securities held at FVTPL would increase by $1,137 and decrease by $1,095, respectively. The Corporation actively monitors the activity and performance of its investments subject to equity price risk.

6. 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 10, 2018, the Corporation renewed its normal course issuer bid ("NCIB") to purchase up to 300,000 common shares, representing approximately 3.2% of its issued and outstanding common shares as at April 5, 2018, 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.

During the year ended December 31, 2018, the Corporation purchased and cancelled a total of 130,780 shares (December 31, 2017 – 43,016 shares) for total consideration of $1,300 (December 31, 2017 - $422). Total shares purchased and cancelled under the current NCIB up to December 31, 2018 was 80,322.

During the year ended December 31, 2018, the Corporation issued 237,318 shares as vested share-based compensation. During the year ended December 31, 2017, the Corporation issued 38,274 shares as vested share-based compensation (see Note 7).

During the year ended December 31, 2018, the Corporation declared and paid dividends of $0.60 per share (December 31, 2017 - $0.50 per share) for a total payment of $5,733 (2017 - $4,762).

7. Share-based compensation:

The Corporation issues performance share units ("PSUs") and restricted share units ("RSUs") to employees. On July 9, 2015, the Corporation issued a one-time grant of transition restricted share units ("TRSUs") to certain employees. Prior to May 8, 2018, the Corporation issued RSUs and retainer restricted share units ("RRSUs") to directors. PSUs, RSUs, TRSUs and RRSUs are collectively referred to as "Share Units". On the vesting date, each Share Unit is exchanged for one common share of the Corporation, except that the holder may 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 vest when certain performance objectives are achieved. RSUs issued to employees vest on January 1, 2019, January 3, 2020 and January 3, 2021 provided the holder of the RSUs remains an employee of the Corporation. RSUs issued to directors vest over a three-year period from the issue date provided the holder remains a director of the Corporation. TRSUs vested on July 9, 2018. RRSUs vested immediately upon grant.

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

Effective May 8, 2018, the Corporation revised its compensation program for directors and introduced a Director Deferred Share Unit ("DDSU") Plan under which it issues DDSUs to directors. 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 367 days 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, 2018, the deferred compensation liability was $265 (December 31, 2017 - $nil).

The Corporation issues additional DDSUs to directors in lieu of dividends on outstanding DDSUs. These DDSUs vest on the same terms as the respective DDSUs 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 the ten-day period ending at the dividend payment date.

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 and have a five-year term and an exercise price of $11.00. As at December 31, 2018, 450,182 (December 31, 2017 - 293,051) stock options had vested but had not been exercised and an additional 21,212 (December 31, 2017 - 178,343) stock options which had not vested remained outstanding.

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

7. Share-based compensation (continued):

The tables below detail the share-based compensation expense recognized in the year ended December 31, 2018 and 2017. Share-based compensation expense is recognized over the expected vesting period of each award.

For the year ended December 31, 2018						
	Number outstanding at January 1, 2018	**Issued in the period**	**Vested or exercised**	**Forfeited**	**Number outstanding at December 31, 2018**	**Expensed in the period**
TRSUs [1]	200,725	6,289	(207,014)	-	-	$ 390
PSUs [2]	38,426	65,018	(48,619)	-	54,825	500
RSUs [2]	80,210	35,907	(31,080)	-	85,037	400
RRSUs	-	5,726	(5,726)	-	-	55
DDSUs	-	25,433	-	-	25,433	169
Total units	319,361	138,373	(292,439)	-	165,295	1,514
Stock options	471,394	-	-	-	471,394	41
Total	790,755	138,373	(292,439)	-	636,689	$ 1,555

[1] The TRSUs issued in the period were units issued in lieu of dividends on the underlying securities.
[2] The PSUs, RSUs and DDSUs issued in the period were new awards and units issued in lieu of dividends on the underlying securities.

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

7. Share-based compensation (continued):

For the year ended December 31, 2017	Number outstanding at January 1, 2017	Issued in the year	Vested or exercised	Forfeited	Number outstanding at December 31, 2017	Expensed in the year
TRSUs [1]	190,976	9,749	-	-	200,725	$ 696
PSUs [2]	46,410	43,377	(51,361)	-	38,426	507
RSUs [2]	51,677	39,013	(10,480)	-	80,210	314
RRSUs	-	5,115	(5,115)	-	-	55
Total units	289,063	97,254	(66,956)	-	319,361	1,572
Stock options	446,394	31,818	-	(6,818)	471,394	111
Total	735,457	129,072	(66,956)	(6,818)	790,755	$ 1,683

[1] The TRSUs issued in the period were units issued in lieu of dividends on the underlying securities.
[2] The PSUs and RSUs issued in the period were new awards and units issued in lieu of dividends on the underlying securities.

8. Credit facility:

The Corporation has a $35,000 senior secured revolving credit facility (the "Credit Facility") to fund investments in mid-market corporations through its controlled investment funds. The Credit Facility provides 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 and has a customary set of covenants. The Credit Facility matures on December 30, 2019 and is subject to a one year extension annually on each December 30 (see Note 17). As of December 31, 2018, $18,000 (December 31, 2017 - $nil) has been drawn on the Credit Facility. The Credit Facility is secured by the Corporation's effective ownership interest in the investments held by its controlled investment funds, through CCFC. The carrying value of assets pledged as at December 31, 2018 was $117,177.

In relation to the Credit Facility, the Corporation incurred $842 of deferred financing costs which are being amortized over the initial three-year term and are deducted from the balance of the loan. During the year ended December 31, 2018, $1,260 (December 31, 2017 - $559) was expensed as finance costs relating to the Credit Facility including amortization of deferred financing costs of $290, interest of $776 and standby fees of $194 (2017 - $283, $nil and $276, respectively). The balance of unamortized deferred financing costs relating to the Credit Facility as at December 31, 2018 was $270 (December 31, 2017 - $536).

9. Convertible Debentures:

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

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

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

9. 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.

	Liability Component	Equity Component
Balance, December 31, 2017	$ -	$ -
Issuance of Convertible Debentures	19,297	703
Issuance costs	(1,251)	(46)
Deferred income tax liability	-	(174)
Effective interest on Convertible Debentures	176	-
Balance, December 31, 2018	$ 18,222	$ 483

During the year ended December 31, 2018, $836 (December 31, 2017 - $nil) was expensed as finance costs relating to the Convertible Debentures including amortization of deferred financing costs of $176 and interest of $660 (2017 - $nil).

10. Provision for performance bonus:

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

Allocation of the units of the APBP relating to Crown Partners Fund commenced in 2015 and will continue until the expiration of the investment fund's term in 2024, subject to annual one-year extensions, with 50% of performance fees recognized by Crown Partners 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.

During the year ended December 31, 2017, the Corporation received $1,044 in relation to performance fee distributions from NCOF II (Parallel) prior to the dissolution of this investment fund, of which $819 was recognized as performance bonus expense.

As at December 31, 2018, the Corporation had accrued a provision for performance bonus payable of $2,679 (December 31, 2017 - $2,665).

11. Share purchase loans:

The Corporation has an Executive Share Purchase Plan (the "Share Purchase Plan") whereby the Board can approve loans to Participants ("Share Purchase Plan Participants") for the purpose of purchasing the Corporation's common shares in the open market. Loans in relation to the Share Purchase Plan are advanced by both a third-party financial institution and the Corporation (collectively the "Lenders"). The following must be paid directly to the Corporation on behalf of management in repayment of interest and principal on these loans: all dividend distributions on the common shares, all annual performance incentive plan payments to Participants in excess of target bonus payouts, and all proceeds from the sale of the common shares.

During the year ended December 31, 2018, the Corporation advanced $1,926 of new loans under the Share Purchase Plan and $3,503 of principal was repaid (2017 - $2,250 and $42, respectively). As at December 31, 2018, $638 of loans to the Corporation were outstanding (December 31, 2017 - $2,226), including accrued interest of $7 (2017 - $18). Loans to the Corporation under the Share Purchase Plan bear interest at prime (3.95% as at December 31, 2018), are repayable in full within 90 days following the date on which the Participant ceases to be employed by the Corporation and are personally guaranteed by Participants.

The Corporation has guaranteed repayment of loans advanced to Participants by a third-party financial institution pursuant to the Share Purchase Plan which totaled $2,886 as at December 31, 2018, and which are secured by common shares of the Corporation owned by Participants with a value of $3,910 as at December 31, 2018.

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

12. Related party transactions:

(a) Key management personnel compensation:

Key management personnel are those persons having authority over the planning, directing and controlling activities of the Corporation, and include the Directors, President and Chief Executive Officer, Executive Vice President, Chief Financial Officer and Chief Investment Officer.

Directors are paid a retainer, of which at least 50% must be paid as DDSUs and the balance can be received as either additional DDSUs or cash at the Director's discretion. Prior to May 2018, the Corporation issued RSUs and RRSUs to directors. RRSUs issued as part of the annual retainer vested immediately upon grant and, on the grant date, each was exchanged for one common share of the Corporation. RSUs issued to Directors vest over a three-year period from the issue date provided the holder remains a director of the Corporation.

Key management personnel compensation for the years ended December 31, 2018 and 2017 is comprised of:

Years ended December 31,		2018		2017
Salaries, management fees and benefits	$	1,916	$	1,882
Share-based compensation		1,464		1,448
Performance bonus expense (Note 10)		713		1,908
	$	4,093	$	5,238

(b) Other related party transactions:

(i) Pursuant to limited partnership agreements, NCOF LP and NCOF II (Parallel), (each a "Fund" and, collectively, the "Funds"), pay management fees to the Corporation for management services provided. During the year ended December 31, 2018, management fees earned from the Funds amounted to $97 (2017 - $216) and is included in fees and other income. NCOF II (Parallel) was dissolved on June 30, 2017.

At December 31, 2018, accounts receivable included $494 due from the Funds (2017 - $392).

(ii) Pursuant to limited partnership agreements, NCOF II and Crown Partners Fund also pay management fees to the Corporation for management services provided. Management fees paid to the Corporation by NCOF II and CCF IV LP are eliminated on consolidation.

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

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

13. Non-controlling interests (NCI):

As at	December 31, 2018	
	Crown Partners Fund	**Total**
NCI percentage	63.0%[1]	
Beginning balance, January 1, 2018	$ 118,394	$ 118,394
Impact of adoption of IFRS 9 (Note 3)	(896)	(896)
Adjusted balance, January 1, 2018	117,498	117,498
Net income and comprehensive income	13,225	13,225
Contributions	32,607	32,607
Distributions	(35,392)	(35,392)
Balance, December 31, 2018	$ 127,938	$ 127,938

1. NCI percentage in Crown Partners Fund increased from 63.5% to 62.9% effective July 1, 2018 and decreased to 63.0% from 62.9% effective October 1, 2018.

As at	December 31, 2017		
	NCOF II	**Crown Partners Fund**	**Total**
NCI percentage	30.25%	63.5%[1]	
Beginning balance, January 1, 2017	$ 5,616	$ 68,295	$ 73,911
Net income and comprehensive income	350	10,986	11,336
Contributions	-	69,521	69,521
Distributions	(5,966)	(30,408)	(36,374)
Balance, December 31, 2017	-	118,394	118,394

2. NCI percentage in Crown Partners Fund increased from 60% to 65% effective January 1, 2017 and decreased to 63.5% from 65% effective July 1, 2017.

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

14. Net change in non-cash working capital:

Years ended December 31,		2018		2017
Accounts receivable	$	(518)	$	(135)
Prepaid expenses		(86)		3
Accounts payable and accrued liabilities		(288)		(483)
Total	$	(892)	$	(615)
Net change attributable to operating activities		(892)		174
Net change attributable to financing activities		-		(789)

15. Commitments:

The following is a summary of the Corporation's financial commitments as at December 31, 2018:

		1 Year		2-3 Years		4-5 Years		Total
Operating lease	$	131	$	262	$	185	$	578
Total	$	131	$	262	$	185	$	578

The Corporation's operating lease is comprised of a commitment to lease office space for a fixed term with no provision for early termination.

The Corporation, through Crown Private Credit Fund and Crown Partners Fund, had unfunded commitments to provide loan advances of $3,507 and $6,065, respectively, as at December 31, 2018, of which $3,821 was attributable to non-controlling interests.

As at December 31, 2018 the Corporation, through Crown Power Fund, had committed to contracts valued at $11,823 in relation to the construction of power generation assets, of which $10,438 was funded, included in equipment under development and related deposits, and $1,385 was unfunded.

The Corporation, through CCFC, has an aggregate commitment to provide funding to Crown Partners Fund and CCF IV Investment of $36,914, as at December 31, 2018.

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

16. Income taxes:

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

Years ended December 31,	2018	2017
Earnings before income tax	$ 23,181	$ 20,867
Statutory income tax rate	26.5%	26.5%
Income tax at statutory income tax rate	6,143	5,530
Non-deductible expenses and other	2	(95)
Non-deductible share compensation expense	265	365
Non-controlling interest share of income [1]	(3,505)	(3,004)
Income tax	$ 2,905	$ 2,796

[1] Non-controlling interests in limited partnerships incur tax on their share of income in accordance with their particular tax circumstances.

Deferred income taxes result mainly from the financing costs associated with the Credit Facility (see Note 8), Convertible Debentures (see Note 9) and IPO which are deductible for tax purposes over a five year period and unrealized gains or losses that are not taxed until they are realized. The financing costs relating to the Credit Facility and Convertible Debentures are being amortized over the three-year loan period and five-year debenture term, respectively, for accounting. The table below outlines the changes in deferred tax balances.

As at	**December 31, 2018**			
	Balance January 1, 2018	Recognized in profit and loss	Recognized through equity	Balance December 31, 2018
Office equipment	$ 2	$ 4	$ -	$ 6
Financing costs – IPO	850	(338)	-	512
Financing costs – Credit Facility	(21)	27	-	6
Financing costs – Convertible Debenture	-	(22)	(174)	(196)
IFRS 9 adoption – opening adjustment	-	(107)	320	213
Performance bonus	445	264	-	709
Partnership earnings timing difference	(565)	(333)	-	(898)
	$ 711	$ (505)	$ 146	$ 352

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

16. Income taxes (continued):

As at	December 31, 2017			
	Balance January 1, 2018	Recognized in profit and loss	Recognized through equity	Balance December 31, 2018
Office equipment	$ 2	$ -	$ -	$ 2
Financing costs - IPO	1,187	(337)	-	850
Financing costs – Credit Facility	(48)	27	-	(21)
IFRS 9 adoption – opening adjustment	90	(90)	-	-
Performance bonus	311	134	-	445
Partnership earnings timing difference	(3)	(562)	-	(565)
	$ 1,539	$ (828)	$ -	$ 711

17. Subsequent events:

Effective February 5, 2019, the Corporation extended the maturity of its existing Credit Facility to May 31, 2021.

Effective February 5, 2019, Crown Partners Fund entered into an agreement for a $25,000,000 senior secured revolving credit facility to fund investments in mid-market corporations. The Crown Partners Fund credit facility provides financing at a variable interest rate based on Prime Rate plus 225 to 325 bps or Bankers Acceptance rate plus 325 bps to 425 bps, has a customary set of covenants, matures on May 31, 2022 and is subject to extension annually.

On February 5, 2019, Crown announced a quarterly dividend of $0.15 per Common Share payable on March 1, 2019 to Shareholders of record on February 15, 2019.

On February 28, 2019, Crown Power Fund completed a subsequent closing with subscriptions for an additional approximately 57,900 limited partnership units at $1,000 per unit, bringing the total capital committed to Crown Power Fund to approximately $57,900. The Corporation, through CCFC, subscribed for additional units which resulted in CCFC holding 25,000 units and an approximate 43.2% interest in Crown Power Fund effective February 28, 2019 (December 31, 2018 – 100%).