Consolidated Financial Statements of

ALARIS EQUITY PARTNERS INCOME TRUST

Audited financial statements for the years ended

December 31, 2021 and 2020

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Alaris Equity Partners Income Trust

Opinion

We have audited the consolidated financial statements of Alaris Equity Partners Income Trust (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- 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 end of December 31, 2021 and December 31, 2020, and 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

Key Audit Matters

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

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

Evaluation of the fair value of investments at fair value

Description of the matter

We draw attention to Notes 2(d), 5, and 11 to the financial statements. Investments at fair value are measured using a discounted cash flow model or capitalized cash flow. The Entity recognizes that the determination of fair value of its investments at fair value becomes more judgmental the longer the investments are held. Typically, the risk profile and future cash flows expected from the individual investments change over time. The Entity's valuation model incorporates these factors each reporting period. The Entity has recorded investments at fair value of $1,185,327,000 as at December 31, 2021. Significant assumptions in determining the fair value of investments at fair value include the discount rate, terminal value growth rate and changes in future distributions for preferred unit investments, and the discount rate, terminal value growth rate, cash flow multiple and estimated future cash flows for common equity investments.

Why the matter is a key audit matter

We identified the evaluation of the fair value of investments at fair value as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of investments at fair value and the high degree of estimation uncertainty in determining the fair value of investments at fair value. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our procedures, due to the sensitivity of the fair value of investments at fair value to minor changes to significant assumptions.

How the matter was addressed in the audit

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

We compared the Entity's actual 2021 distributions received to the amount budgeted for 2021 to assess the Entity's ability to accurately forecast.

We evaluated the appropriateness of the assumptions used in determining the fair value of investments at fair value by:

- Comparing a selection of changes in future distributions to the actual historical distributions, and assessing the adjustments made in arriving at changes in future distributions by comparing to the adjustment factors permitted under the respective agreements. We took into account changes in conditions and events affecting estimated future distributions to assess the adjustments or lack of adjustments made in arriving at estimated future distributions.

- Comparing a selection of the estimated future cash flows to the actual historical cash flows. We took into account changes in conditions and events affecting estimated future cash flows to assess the adjustments or lack of adjustments made in arriving at estimated future cash flows.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the discount rates, terminal value growth rates and cash flow multiples used in determining the fair value of investments at fair value by:

- Comparing a selection of discount rates and terminal value growth rates to the transaction discount rates and terminal value growth rates implied at the time of the Entity making the initial investment

- Comparing the changes in a selection of discount rates and terminal value growth rates to changes in the financial performance and condition of each specific investment since the time of the Entity making the initial investment

- Comparing a selection of discount rates and cash flow multiples against a discount rate range and cash flow multiple range that were independently developed using publicly available market data for comparable entities

Evaluation of the accounting treatment for new investment structures

Description of the matter

We draw attention to Note 2(d) to the financial statements. The Entity makes significant judgments related to the consideration of control, joint control and significant influence for each of its investments. The Entity has agreements with various private businesses and these agreements include not only clauses as to distributions but also various protective rights. The Entity must apply significant judgment when assessing the rights under the agreement and determining the appropriate accounting treatment.

Why the matter is a key audit matter

We identified the evaluation of the accounting treatment for new investment structures as a key audit matter. This matter represents an area of significant risk of material misstatement requiring significant auditor judgment to evaluate the Entity's rights under the agreements and assess the Entity's conclusions reached on the accounting treatment.

How the matter was addressed in the audit

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

- Assessing the contractual terms of the new investment structure and the impact those terms have on the accounting treatment, by examining a selection of contracts and comparing the contract details to the relevant accounting standards.

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 a document likely to be entitled "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 and remain alert for indications that the other information appears to be materially misstated.

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

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "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 (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.

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.

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

The engagement partner on the audit resulting in this auditors' report is Kimberly Maria Isotti.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 9, 2022

Alaris Equity Partners Income Trust

Consolidated statements of financial position

$ thousands	Note	31-Dec 2021	31-Dec 2020
Assets			
Cash and cash equivalents		$ 18,447	$ 16,498
Derivative contracts	11	71	1,489
Accounts receivable and prepayments		3,181	981
Income taxes receivable		28,991	12,669
Promissory notes and other assets	5	13,555	4,000
Current Assets		$ 64,245	$ 35,637
Promissory notes and other assets	5	-	19,233
Deposits	10	24,979	20,206
Property and equipment		658	846
Investments	5	1,185,327	880,512
Non-current assets		$ 1,210,964	$ 920,797
Total Assets		**$ 1,275,209**	**$ 956,434**
Liabilities			
Accounts payable and accrued liabilities	9	$ 8,214	$ 5,351
Distributions payable	6	14,899	12,089
Office Lease		500	659
Income tax payable		740	723
Current Liabilities		$ 24,353	$ 18,822
Deferred income taxes	10	43,903	16,112
Loans and borrowings	7	326,569	229,477
Convertible debenture	8	89,592	86,029
Other long-term liabilities	8, 9	1,933	980
Non-current liabilities		$ 461,997	$ 332,598
Total Liabilities		**$ 486,350**	**$ 351,420**
Equity			
Unitholders' capital	6	$ 754,622	$ 659,988
Equity reserve		-	17,621
Translation reserve		15,052	12,431
Retained earnings / (deficit)		19,185	(85,026)
Total Equity		**$ 788,859**	**$ 605,014**
Total Liabilities and Equity		**$ 1,275,209**	**$ 956,434**

Commitments and contingencies	12
Related parties	13
Subsequent events	5, 14

On behalf of the Board:

Director (signed) *"John F. Ripley"*

Director (signed) *"Mary Ritchie"*

Alaris Equity Partners Income Trust

Consolidated statements of comprehensive income

$ thousands except per unit amounts	Note	Year ended December 31 2021	Year ended December 31 2020
Revenues, including realized foreign exchange gain	5	$ 147,664	$ 109,568
Net realized gain / (loss) from investments	5	9,921	(26,863)
Net unrealized gain / (loss) of investments at fair value	5	53,275	(14,623)
Bad debt recovery	5	4,030	183
Total revenue and other operating income		**$ 214,890**	**$ 68,265**
General and administrative		13,273	14,519
Transaction diligence costs		4,246	5,532
Unit-based compensation	9	5,362	2,708
Depreciation and amortization		211	222
Total operating expenses		23,092	22,981
Earnings from operations		**$ 191,798**	**$ 45,284**
Finance costs	7, 8	24,988	18,103
Unrealized (gain) / loss on derivative contracts	11	1,419	(935)
Unrealized foreign exchange (gain) / loss		(654)	206
Non-cash impact of trust conversion	8	-	(7,138)
Earnings before taxes		**$ 166,045**	**$ 35,048**
Current income tax (recovery)	10	(5,682)	(875)
Deferred income tax expense	10	27,483	15,632
Total income tax expense		21,801	14,757
Earnings		**$ 144,244**	**$ 20,291**
Other comprehensive income			
Foreign currency translation differences		2,621	(4,645)
Total comprehensive income		**$ 146,865**	**$ 15,646**
Earnings per unit			
Basic		$ 3.28	$ 0.56
Fully diluted		$ 3.13	$ 0.56
Weighted average units outstanding			
Basic	6	43,994	36,121
Fully Diluted	6	48,432	36,482

Alaris Equity Partners Income Trust

Consolidated statement of changes in equity

For the year ended December 31, 2021

$ thousands	Notes	Unitholders' Capital	Equity Reserve	Translation Reserve	Retained Earnings / (Deficit)	Total Equity
Balance at January 1, 2021		$ 659,988	$ 17,621	$ 12,431	$ (85,026)	$ 605,014
Earnings for the year		-	-	-	144,244	144,244
Other comprehensive income						
Foreign currency translation differences		-	-	2,621	-	2,621
Total comprehensive income for the year		$ -	$ -	$ 2,621	$ 144,244	$ 146,865
Transactions with unitholders, recognized directly in equity						
Distributions to unitholders	6	$ -	$ -	$ -	$ (57,654)	$ (57,654)
Units issued under RTU plan	6	4,347	-	-	-	4,347
Units issued in the year by short form prospectus	6	94,550	-	-	-	94,550
Unit issuance costs	6	(4,263)	-	-	-	(4,263)
Transfer equity reserve to retained earnings		-	(17,621)	-	17,621	-
Total transactions with Unitholders		$ 94,634	$ (17,621)	$ -	$ (40,033)	$ 36,980
Balance at December 31, 2021		**$ 754,622**	**$ -**	**$ 15,052**	**$ 19,185**	**$ 788,859**

Alaris Equity Partners Income Trust

Consolidated statement of changes in equity

For the year ended December 31, 2020

$ thousands	Notes	Unitholders' Capital	Convertible Debenture	Equity Reserve	Translation Reserve	Retained Earnings / (Deficit)	Total Equity
Balance at January 1, 2020		$ 625,313	$ 4,059	$ 14,763	$ 17,076	$ (56,764)	$ 604,447
Earnings for the year		-		-	-	20,291	20,291
Other comprehensive income / (loss)							
Foreign currency translation differences		-		-	(4,645)	-	(4,645)
Total comprehensive income / (loss) for the year		$ -	$ -	$ -	$ (4,645)	$ 20,291	$ 15,646
Transactions with unitholders, recognized directly in equity							
Unit-based compensation, prior to trust conversion	9	$ -	$ -	$ 2,067	$ -	$ -	$ 2,067
Distributions to unitholders	6	-	-	-	-	(48,553)	(48,553)
Equity component of convertible debenture	8	-	(4,059)	3,978	-	-	(81)
Reclassification of unit-based compensation in equity reserve	9	-	-	(2,655)	-	-	(2,655)
Trust units repurchased under the NCIB	6	(10,051)	-	-	-	-	(10,051)
Units issued under RTU plan	6	1,351	-	(532)	-	-	819
Units issued in the year by short form prospectus	6	46,014	-	-	-	-	46,014
Unit issuance costs	6	(2,639)	-	-	-	-	(2,639)
Total transactions with Shareholders		$ 34,675	$ (4,059)	$ 2,858	$ -	$ (48,553)	$ (15,079)
Balance at December 31, 2020		**$ 659,988**	**$ -**	**$ 17,621**	**$ 12,431**	**$ (85,026)**	**$ 605,014**

Alaris Equity Partners Income Trust

Consolidated statements of cash flows

$ thousands	Notes	Year ended December 31 2021	2020
Cash flows from operating activities			
Earnings for the period		$ 144,244	$ 20,291
Adjustments for:			
Finance costs	7, 8	24,988	18,103
Deferred income tax expense		27,483	15,632
Depreciation and amortization		211	222
Bad debt recovery	5	(4,030)	-
Net realized (gain) / loss from investments	5	(9,921)	26,863
Net unrealized (gain) / loss of investments at fair value	5	(53,275)	14,623
Unrealized (gain) / loss on derivative contracts	11	1,419	(935)
Unrealized foreign exchange (gain) / loss		(654)	206
Non-cash impact of trust conversion		-	(7,138)
Transaction diligence costs		4,246	5,532
Unit-based compensation	9	5,362	2,708
Changes in working capital:			
- accounts receivable and prepayments		(2,200)	(183)
- income tax receivable / payable		(15,997)	(11,424)
- accounts payable, accrued liabilities		2,805	2,327
Cash generated from operating activities		$ 124,681	$ 86,827
Cash interest paid	7	(20,523)	(14,965)
Net cash from operating activities		$ 104,158	$ 71,862
Cash flows from investing activities			
Acquisition of investments	5	$ (357,750)	$ (170,465)
Transaction diligence costs		(4,246)	(5,532)
Proceeds from partner redemptions	5	119,600	117,698
Proceeds on disposal of assets and liabilities held for sale	5	-	39,196
Promissory notes and other assets issued	5	(1,030)	-
Promissory notes and other assets repaid	5	14,435	2,499
Net cash used in investing activities		$ (228,991)	$ (16,604)
Cash flows from financing activities			
Repayment of loans and borrowings	7	$ (219,624)	$ (228,970)
Proceeds from loans and borrowings	7	318,130	184,465
Debt amendment and extension fees	7	(552)	-
Issuance of unitholders' capital, net of unit issue costs	6	90,287	43,375
Distributions paid	6	(54,844)	(41,511)
Trust unit repurchases	6	-	(10,051)
Office lease payments		(159)	(178)
Deposits with CRA	10	(4,773)	-
Net cash from / (used in) financing activities		$ 128,465	$ (52,870)
Net increase in cash and cash equivalents		$ 3,632	$ 2,388
Impact of foreign exchange on cash balances		(1,683)	(2,994)
Cash and cash equivalents, Beginning of year		16,498	17,104
Cash and cash equivalents, End of year		$ 18,447	$ 16,498
Cash taxes paid		$ 14,267	$ 7,616

1. Reporting entity:

Alaris Equity Partners Income Trust is a company domiciled in Calgary, Alberta, Canada. The consolidated financial statements as at and for the year ended December 31, 2021 composed of Alaris Equity Partners Income Trust and its subsidiaries (together referred to as "Alaris" or the "Trust"). The Trust's Canadian investments are made through a wholly-owned Canadian corporation, Alaris Equity Partners Inc. ("AEP", formerly known as Alaris Royalty Corp.) and its American investments are made through two Delaware corporations, Alaris Equity Partners USA Inc. ("Alaris USA") and Salaris USA Royalty Inc. ("Salaris USA"). The Trust's operations consist primarily of investments in private operating entities, typically in the form of preferred or common limited partnership interests, preferred or common interest in limited liability corporations in the United States, and loans receivable. The Trust also has a wholly-owned subsidiary in the Netherlands, Alaris Cooperatief U.A. ("Alaris Cooperatief").

On August 31, 2020, the shareholders approved a reorganization of Alaris Royalty Corp., as described in the Plan of Arrangement (the "Arrangement") dated July 21, 2020 and became effective on September 1, 2020, pursuant to which the Trust indirectly acquired all of the issued and outstanding common shares of Alaris Royalty Corp. in exchange for trust units of the Trust.

Prior to September 1, 2020, the consolidated financial statements were of Alaris Royalty Corp., which comprised Alaris Royalty Corp. and its subsidiaries, Alaris USA, Salaris USA and Alaris Cooperatief.

New accounting policies were adopted on the re-organization to reflect the new structure. These new accounting policies are described in Note 3.

2. Statement of compliance:

(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 approved by the Board of Directors on March 9, 2022.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Investments at fair value are measured at fair value with changes in fair value recorded in earnings (see Note 5).
- Derivative financial instruments are measured at fair value (see Note 11).

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars which is the Trust's functional currency. Alaris USA Inc. and Salaris USA have the United States dollar, while AEP and Alaris Cooperatief have the Canadian dollar as their functional currencies.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about assumptions, judgments and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next twelve months are as follows:

Significant judgments

A significant judgment relates to the consideration of control, joint control and significant influence in each of our investments. Through subsidiaries, the Trust has agreements with various private businesses to whom it invests capital into (collectively the "**Partners**") and these agreements include not only clauses as to distributions but also various protective rights. The Trust has assessed these rights under IFRS 10 and 11 and determined that consolidation is not appropriate as control does not exist. The Trust has also assessed the rights under IAS 28 and determined that significant influence does not exist. In a number of our investments we have protective rights, which provides the Trust the right to demand repayment of our investment if it is in default of the terms of our operating agreement. Failure to satisfy the demand for repayment can lead to the Trust's rights to allow it to control or significantly influence the investment. Judgment was applied in determining that the conversion to a trust as of September 1, 2020 resulted in a substantial modification to the previously issued convertible debentures (note 8). The Trust concluded that the conversion did result in a substantial modification to the terms of the instrument, and therefore the previous carrying amount was de-recognized, and the convertible debenture was re-recognized at its fair value on that date. Judgment was required to determine if the conversion resulted in a substantial modification.

Key estimates used in determining investments at fair value

Investments at fair value are measured using a discounted cash flow model or capitalized cash flow. Significant assumptions used in the valuation of the preferred unit investments include the discount rate, terminal value growth rate and changes in future distributions. Significant assumptions used in the valuation of the common equity investments include the discount rate, terminal value growth rate, cash flow multiple and estimated future cash flows.

Key estimates used in the provision for expected credit losses

Management makes estimates of expected credit losses (ECLs) on its financial assets measured at amortized cost. ECLs are a probability weighted estimate of credit losses. Significant assumptions used in the determination of ECLs include the probability of future default, and the timing and amount of the collection of contractual cash flows. These assumptions are generally based on a combination of the relevant Partners' most recently available financial information and past performance, and information on security values.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Management reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

COVID-19

For the year ended December 31, 2021 and as discussed further in Note 5, the Trust has used estimates and judgments related to the impact that the novel coronavirus disease 2019 ("COVID-19") has had and is expected to have on its Partners in the determination of key estimates and judgments. These estimates are based on the information available to the Trust to the date of the financial statements. The situation remains fluid and certain impacts to our Partner's businesses continue to remain unknown and may reasonably result in future adjustments to our fair value assumptions or expected credit losses within the next twelve months.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Trust. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Revenue recognition

The Trust recognizes revenue on its financial instruments in accordance with IFRS 9. Revenue is recognized when and only when, the Trust becomes party to the monthly distributions, interest and discretionary common distributions related to the instruments and collection is reasonably assured.

(c) Financial instruments

Recognition and Initial Measurement

Financial instruments are recognized when the Trust becomes party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Trust has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

A financial asset or financial liability is initially measured at fair value, plus, for an item not at Fair Value through Profit or Loss ("FVTPL"), transaction diligence costs that are directly attributable to its acquisition or issue. Transaction diligence costs directly attributable to financial assets or liabilities measured at FVTPL are expensed as incurred. Transaction diligence costs are directly related to Alaris' investing activity and therefore presented as cash flow from investing in the consolidated statement of cash flows.

Classification and Subsequent Measurement

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through OCI ("FVOCI") or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Trust changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

The Trust characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Business Model Assessment

The Trust makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Solely Payments of Principal and Interest Assessment

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Trust considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial Liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition and modifications

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Trust has transferred substantially all the risks and rewards of ownership. The Trust assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Trust's derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are modified, but the changes to the terms are considered non-substantial, the modification is accounted for as a modification to the existing financial liability. The difference in the carrying amounts of liabilities as a result of both substantial and non-substantial modifications is recognized in profit and loss.

Derivatives

Derivative financial instruments are classified as FVTPL unless designated for hedge accounting. Derivative instruments that do not qualify as hedges, or are not designated as hedges, are recorded using mark-to-market accounting whereby instruments are recorded as either an asset or liability with changes in fair value recognized in profit and loss.

The Trust's financial instruments are classified as follows:

Financial Instrument	Measurement
Cash and cash equivalents	Amortized cost
Accounts receivables	Amortized cost
Derivative contracts	FVTPL
Promissory notes and other assets	Amortized cost
Investments	FVTPL or amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost
Convertible debenture	Amortized cost
Other long-term liabilities	FVTPL or amortized cost

Compound Financial Instruments:

The Trust has convertible unsecured subordinated debentures that are convertible at the holder's option. The entire instrument is considered a financial liability, as there is a contractual obligation for the Trust to deliver Trust units (which are accounted for as liabilities but presented as equity instruments upon conversion on September 1, 2020).

As permitted under IFRS 9, Financial Instruments, the Trust has elected to separate the conversion feature from the debt instrument, and account for the conversion feature at fair value through profit or loss ("FVTPL"). The liability portion of the conversion feature is included in Other long-term liabilities. Changes in fair value of the conversion feature are recorded as finance costs.

Prior to September 1, 2020, the liability component of the convertible debentures was initially recognized at the fair value of a similar liability that did not have any equity conversion option, with the equity component initially recognized at the difference between the fair value of the compound instrument as a whole, and the fair value of the liability component. The liability component was measured at amortized cost using the effective interest method, while the equity component was classified in equity and was not re-measured subsequent to initial recognition.

(d) Unitholders' capital

The Trust is an open-ended mutual fund trust and, as a result, the Trust units are redeemable at the holders' option. This puttable feature would generally result in recognizing the Trust units as a financial liability. However, under International Accounting Standard 32, "Financial Instruments: Presentation" (IAS 32), the Trust units meet the narrow scope exception to be presented as equity, including meeting the condition as the most residual class of units.

Prior to conversion on September 1, 2020, the shares did not have a redemption option and were classified as equity.

As a result of the redemption feature and the fact the units meet the definition of a financial liability, they may not be considered equity in accordance with IAS 33 Earnings Per Share. However, the Trust has elected to continue to present earnings per unit.

All references to "unit" or "unitholder" throughout these financial statements refer to trust units or trust unitholders subsequent to September 1, 2020 and common shares or common shareholders prior to September 1, 2020.

(e) Equipment

(i) Recognition and measurement

Equipment is measured at cost less accumulated depreciation.

(ii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of the asset. Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(f) Impairment of financial assets

The Trust recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. The ECL model requires the recognition of credit losses based on 12 months of expected losses for performing financial assets (Stage 1) and the recognition of lifetime expected losses on performing financial assets that have experienced a significant increase in credit risk since origination (Stage 2) and credit impaired financial assets (Stage 3). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument whereas 12 month ECLs are the ECLs that result from possible default over the next 12 months. The maximum period considered when estimating ECLs is the maximum contractual period over which the Trust is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses, twelve month ECLs are recorded on origination and changed to lifetime ECLs should a significant deterioration in credit risk arise. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Trust expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(g) Unit based compensation

The Trust has two unit-based compensation plans, a unit option plan and a restricted trust unit plan. The fair value of the unit-based compensation is recognized as compensation expense over the vesting period. The grants under the unit-based compensation plans are considered to be grants of financial liabilities because there is a contractual obligation for the Trust to deliver Trust units (which are accounted for as liabilities but presented as equity instruments under IAS 32 upon conversion of the unit options and restricted units).

Holders of units granted under the restricted unit plans receive distributions when the Trust declares distributions on its Trust units, once the granted units have vested. The distributions are recognized as compensation expense once the units have vested and the distributions are paid.

Changes in fair value are recorded as an increase or (decrease) to unit-based compensation expense each period. The current portion of the liability is recorded in accounts payable and accrued liabilities, while the long-term portion is included in other long-term liabilities.

Prior to September 1, 2020, the grant-date fair value of share based payment awards was recognized as share based compensation expense, with a corresponding increase in equity reserves, over the period that the employee becomes entitled to the awards.

(h) Finance costs

Finance costs comprise interest expense on borrowings, interest expense on convertible debentures, accretion expense on convertible debentures and credit facility renewal fees. Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognized in profit or loss using the effective interest method.

(i) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they related to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, 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 utilized. 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.

(j) Earnings per unit

The Trust presents basic and diluted earnings per unit data for its trust units. Basic earnings per unit is calculated by dividing the profit or loss attributable to common unitholders of the Trust by the weighted average number of units outstanding during the period. Diluted earnings per unit is determined by adjusting the profit or loss attributable to common unitholders and the weighted average number of units outstanding, adjusted for the effects of all dilutive potential units, which comprise the convertible debentures and restricted trust units and options granted to employees.

(k) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Trust's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for available for sale equity investments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss) which are recognized in other comprehensive income.

(l) Foreign operations

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as a part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(m) Office lease

The Trust 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 and subsequently measured at cost less any accumulated depreciation and impairment losses.

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 Trust's incremental borrowing rate. The Trust uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortized cost.

4. Financial risk management overview

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

- credit risk and other price risk
- liquidity risk
- market risk
- foreign exchange risk
- interest rate risk

This note presents information about the Trust's exposure to each of the above risks, the Trust's objectives, policies and processes for measuring and managing risk, and the Trust's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Trust's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Trust's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Trust's risk management policies are established to identify and analyze the risks faced by the Trust, 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 Trust's activities. The Trust aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Trust's Risk Management Committee oversees how management monitors compliance with the Trust's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Trust. The Risk Management Committee undertakes both regular and ad hoc reviews of risk management controls and procedures.

Credit risk and other price risk

Credit risk is the risk of financial loss to the Trust if a partner or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's investments, accounts receivable and promissory notes receivable. Concentrations of credit risk exist when a significant proportion of the Trust's assets are invested in a small number of individually significant investments, and investments with similar characteristics and/or subject to similar economic, political and other conditions that may prevail. The Trust's exposure to credit risk is influenced mainly by the individual characteristics of each Partner.

The Trust is exposed to credit related losses on current and future amounts receivable pursuant to investment agreements and outstanding promissory notes. In the event of non-performance by partners, future distributions from investments could be reduced, resulting in impairment of investment values. The investment agreements typically provide that payments are receivable monthly no later than the last day of the month.

Cash and cash equivalents consist of cash bank balances. The Trust manages the credit exposure related to short-term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper. The Trust held cash and cash equivalents of $18.5 million at December 31, 2021 (December 31, 2020 - $16.5 million), which represents its maximum credit exposure on these assets.

The carrying amount of investments, accounts receivables, promissory notes, and cash and cash equivalents represents the maximum credit exposure.

However, management also considers the demographics of counterparties, including the default risk of the industry and country in which counterparties operate, as these factors may have an influence on credit risk. No single partner accounted for more than 11% of the Trust's revenue in the years ended December 31, 2021 and 2020.

Other price risk is the risk that future cash flows associated with portfolio investments will fluctuate. Changes in cash flow from investments is generally based on a percentage of the investments' gross revenue, same store sales, gross margin or other similar metric. Accordingly, to the extent that the financial performance of the investment declines in respect of the relevant performance metric, cash payments to the Trust will decline. Portfolio investment agreements allow for the repayment of investments at the option of the portfolio entity, and such repayment could affect future cash flows.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Trust'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 Trust's reputation.

Typically the Trust ensures that it has sufficient cash on hand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. In addition, the Trust maintains a $400 million, three year revolving credit facility, and has $326.6 million balance drawn at December 31, 2021 ($229.5 million at December 31, 2020).

As at December 31, 2021 the Trust has the following financial liabilities that mature as follows:

31-Dec-21	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	3 – 4 years
Accounts payable and accrued liabilities	$ 8,214	$ 7,827	$ 387	$-	$-
Distributions payable	14,899	14,899	-	-	-
Office Lease	500	75	72	144	209
Other long-term liabilities	1,933	-	-	1,389	544
Convertible debenture	100,000	-	-	-	100,000
Loans and borrowings	326,569	-	-	326,569	-
Total	**$ 452,115**	**$ 22,801**	**$ 459**	**$ 328,102**	**$ 100,753**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. All such transactions are carried out within the guidelines set by the Trust's Risk Management Committee.

Foreign currency exchange rate risk

As a result of the investments denominated in USD, the Trust has exposure to foreign currency exchange rate risk. The Trust purchases forward exchange rate contracts to match expected distributions and expenditures in Canadian dollars on a rolling 12 month basis and also for a portion of the expected distributions and expenditures in Canadian dollars on a rolling 12 to 24 month basis (total current notional value of US$51.9 million for next 24 months).

Additionally, the Trust has US dollar subsidiaries and loans in US dollars (external senior debt and intercompany) that are translated at each balance sheet date with an unrealized foreign exchange gain or loss recorded in earnings.

As at December 31, 2021, if the US foreign exchange rate had been $0.01 lower with all other variables held constant, earnings for the year would have been approximately $3.7 million lower due to lower net income from US subsidiaries, a larger unrealized loss on loans to subsidiaries and a reduction to the unrealized gain on forward exchange rate contracts, partially offset by a higher unrealized gain on USD denominated external senior debt and a reduction to finance costs related to the interest expense on the USD denominated external senior debt.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate fluctuations on its bank debt that bears a floating rate of interest. As at December 31, 2021, if interest rates had been 1% higher with all other variables held constant, earnings for the year would have been approximately $2.7 million lower, due to higher finance costs. An equal and opposite impact would have occurred to earnings had interest rates been 1% lower. The Trust has two interest rate swaps that were both initiated during 2021: an interest rate swap initiated in May 2021 that allows for a fixed interest rate of 0.35% instead of LIBOR on $25.0 million notional amount of USD debt and an interest rate swap initiated in December 2021 that allows for a fixed interest rate of 0.74% instead of LIBOR on $50.0 million notional amount of USD debt. Both of which are due to expire in June 2023. The Trust also had an interest rate swap that expired in November 2021 that allowed for a fixed interest rate of 1.50% instead of LIBOR on $50.0 million notional amount of USD debt.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of unitholders' capital, a $400.0 million revolving credit facility, a $23.0 million accordion facility, $100.0 million of convertible debentures and retained earnings. The Board of Directors monitors the return on capital as well as the level of distributions to common unitholders. Subsequent to December 31, 2021, as described further in Note 14, the Trust issued an additional $65.0 million of senior unsecured debentures.

The Trust manages capital by monitoring certain debt covenants set out in its credit facility. The Trust has a maximum senior debt to contracted EBITDA covenant of 2.5:1 which can extend to 3.0:1 for a period of 90 days. Contracted EBITDA is defined as net income before interest expense, income taxes, depreciation and amortization, bad debt expense, realized and unrealized foreign exchange gains or losses and unit-based compensation expenses, the Trust can include twelve months of revenue from partners that are less than twelve months from closing and must exclude revenue from partners for the portion that was redeemed or repurchased and for distributions that have been accrued and are past due. The Trust has a fixed charge coverage ratio covenant of 1:1. Additionally, a minimum tangible net worth requirement of $450.0 million is in place. Tangible net worth is defined as unitholders equity less intangible assets. The Trust was in compliance with all debt covenants at December 31, 2021 (please refer to Note 7 for actual ratios as of December 31, 2021). In order to acquire more distributions, the Trust can access its credit facility for investing activity. Any funding requirements for acquisitions in excess of availability under the credit facility will require the Trust to access capital markets and manage the business within the bank covenants. There were no significant changes in the Trust's approach to capital management.

5. Investments

The following table lists the Trust's investments at period end. For each period presented, all of the investments are recorded at fair value with the exception of the GWM loan receivable, which is recorded at amortized cost. Investments listed below are each denominated in their local currencies, other than LMS which includes a portion of its total that is in USD but translated into Canadian dollars using the period end exchange rates. The total United States investments in USD is also translated below into Canadian dollars using the period end exchange rates.

Investments at Fair Value & Amortized Cost *$ thousands*	**Carrying Value**		**Acquisition Cost**
As at	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**
GWM Loan Receivable at amortized cost	US $ 62,678	US $ 85,500	US $ 62,946
GWM Holdings, Inc ("GWM")	43,698	15,400	43,054
PF Growth Partners, LLC ("PFGP")	99,700	85,500	92,500
Body Contour Centers, LLC ("BCC")	90,604	65,604	91,000
D&M Leasing ("D&M")	77,900	-	74,500
Brown & Settle Investments, LLC ("Brown & Settle")	64,694	-	66,394
DNT Construction, LLC ("DNT")	62,743	60,443	62,800
Accscient, LLC ("Accscient")	49,477	38,877	46,000
Falcon Master Holdings LLC ("FNC")	47,450	-	40,000
3E, LLC ("3E")	40,000	-	39,500
Kimco Holdings, LLC ("Kimco")	35,753	26,532	34,200
Fleet Advantage, LLC ("Fleet")	35,000	11,300	35,000
Edgewater Technical Associates, LLC ("Edgewater")	31,400	34,000	34,000
Unify Consulting, LLC ("Unify")	28,300	25,700	25,000
Carey Electric Contracting LLC ("Carey Electric")	16,180	17,000	16,000
Heritage Restoration, LLC ("Heritage")	15,200	15,200	15,000
Stride Consulting LLC ("Stride")	5,500	6,000	6,000
Federal Resources Supply Company ("FED")	-	74,624	-
ccCommunications LLC ("ccComm")	-	3,827	-
Total Investments (based in United States) - USD	806,277	565,507	783,894
Total Preferred and Debt (based in United States) - USD	708,309	546,013	696,156
Total Common (based in United States) - USD	97,968	19,494	87,738
Total Investments (based in United States) - CAD	**$ 1,030,502**	**$ 722,887**	**$ 1,001,895**
Amur Financial Group ("Amur")	73,200	70,500	70,000
Lower Mainland Steel Limited Partnership ("LMS")	47,722	52,622	60,564
SCR Mining and Tunneling, LP ("SCR")	33,903	34,503	40,000
Total Investments (based in Canada)	**$ 154,825**	**$ 157,625**	**$ 170,564**
Total Preferred and Debt (based in Canada)	133,425	137,125	150,564
Total Common (based in Canada)	21,400	20,500	20,000
Total Investments	**$ 1,185,327**	**$ 880,512**	**$ 1,172,459**

Transactions closed in 2021

Investment in Falcon Master Holdings LLC ("FNC")

On January 7, 2021, Alaris made an initial contribution of US$40.0 million into FNC (dba "FNC Title Services") which consisted of US$32.15 million of preferred equity as well as an investment of US$7.85 million in exchange for a minority ownership of the common equity in FNC. The contribution in exchange for preferred units of US$32.15 million has initial annualized distributions to Alaris of US$4.5 million. The FNC distribution will be adjusted annually (commencing January 1, 2022) based on the change in FNC's gross profit, subject to a +/- 7% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared. During the year ended December 31, 2021 total common equity distributions to Alaris totaled US$2.0 million.

Investment in Brown & Settle Investments, LLC and a subsdiary thereof (collectively, "Brown & Settle")

On February 9, 2021, Alaris made an initial contribution of US$66.0 million into Brown & Settle which consisted of US$53.7 million in a combination of subordinated debt and preferred equity and US$12.3 million in exchange for a minority ownership of the common equity. In Q3 2021, Alaris contributed an additional US$0.4 million for common equity. The contribution in exchange for subordinated debt and preferred equity of US$53.7 million has initial annualized distributions to Alaris of US$7.5 million. The Brown & Settle distribution will be adjusted annually (commencing January 1, 2022) based on the change in Brown & Settle's gross revenue, subject to a +/- 6% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

During Q4 2021, Brown & Settle undertook a reorganization pursuant to which Alaris agreed to contribute the subordinated debt investment in exchange for additional preferred equity. Therefore, at December 31, 2021, the investment of US$53.7 million was solely preferred equity. The total yield to Alaris on this investment did not change as a result of the reclassification.

Accscient Additional Contribution

On February 18, 2021, Alaris contributed an additional US$8.0 million into Accscient in exchange for initial annual distributions of US$1.1 million. Following this additional tranche, the total preferred units in Accscient are US$46.0 million.

Investment in 3E, LLC ("3E")

On February 22, 2021, Alaris made an initial contribution of US$30.0 million into 3E which consisted of US$22.5 million of preferred equity as well as US$7.5 million placed in an escrow account to be funded into additional preferred units in two additional tranches, once additional performance thresholds are met by 3E. Both additional tranches were released from escrow during 2021 and transferred to additional preferred equity. Alaris is entitled to an initial annual distribution of US$4.2 million on the total preferred equity investment of US$30.0 million. The distribution from 3E will reset +/- 6% annually based on the change in gross profit, with the first reset commencing in January 2022. The reset commencing in January 2022 applies to US$24.3 million of the total US$30.0 million initial investment based on the timing of the first of two tranches from escrow during 2021.

During Q4 2021, Alaris made a follow-on investment of US$9.5 million into 3E in exchange for initial annualized distributions of US$1.2 million, with the first reset based on year over year changes in gross profit to occur on January 1, 2023. Following this contribution, the total preferred units in 3E are US$39.5 million.

Partial Redemption of Redeemable Carey Electric units

On May 14, 2021, Alaris received a partial redemption of US$1.0 million from Carey Electric in exchange for preferred units which had an associated US$0.15 million of annual distributions. The preferred units were redeemed at par, in accordance with the operating agreement.

Subsequent to December 31, 2021, Carey Electric redeemed an additional US$1.0 million of preferred units.

Investment in D&M Leasing ("D&M")

On June 28, 2021, Alaris made an initial contribution of US$70.0 million into Vehicle Leasing Holdings, LLC dba D&M Leasing which consisted of US$62.5 million of preferred equity as well as an investment of US$7.5 million in exchange for a minority non-voting ownership of the common equity in D&M. The contribution in exchange for preferred units of

US$62.5 million has initial annualized distributions to Alaris of US$8.75 million. The D&M distribution will be adjusted annually (commencing January 1, 2023) based on the change in D&M's gross profit, subject to a +/- 7% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

During Q4 2021, Alaris contributed an additional US$5.4 million to D&M, which consisted of US$4.5 million in additional preferred equity and US$0.8 million of a short-term subordinated note. The initial annualized distributions in exchange for the additional preferred equity is US$0.6 million and the initial annualized interest rate on the subordinated note is 14%. Following this contribution, the total preferred units in D&M are US$67.0 million.

Redemption of ccComm units

On July 2, 2021, Alaris received US$11.0 million from ccComm as a negotiated redemption of the ccComm preferred units, as well as potential additional proceeds as cash flows permit. During Q4 2021, Alaris received an additional US$1.0 million from ccComm related to the negotiated redemption of the ccComm preferred units.

The original cost of the units was US$19.2 million, resulting in a realized loss on redemption of US$7.2 million.

Redemption of Federal Resources

During Q4 2021 Alaris announced the redemption of Federal Resources in connection with a sale to a third party. The sale closed on October 26, 2021 and resulted in the redemption of all of Alaris' investment in FED and repayment of Alaris' outstanding loan for total proceeds of US$80.9 million (CA$101.9 million), which was inclusive of the cost base of the Alaris investments of US$67.0 million and a US$13.9 million premium, recorded as a realized gain during the year ended December 31, 2021.

Proceeds from Phoenix Holdings Ltd, (formerly "KMH")

During Q4 2021, Alaris received $0.5 million as full and final settlement of the outstanding indebtedness owed to Alaris by Phoenix Holdings Ltd. (formerly KMH). The $0.5 million was recorded as a net realized gain from investments, reversing previously recorded losses on the disposal of that investment in a prior year. There are no additional amounts expected to be received by Alaris from this investment.

BCC Additional Contribution

During Q4 2021, Alaris made an additional US$25.0 million contribution to BCC in exchange for preferred equity with initial annualized distributions of US$3.3 million. The additional contribution to BCC was a result of BCC achieving key performance targets agreed to under the original financing. The BCC distribution will be adjusted annually (commencing January 1, 2023) based on the change in same clinic sales, subject to a 6% collar.

GWM Partial Redemption and Additional Contribution

During Q4 2021, Alaris received US$25.8 million for a partial redemption of preferred units and partial repayment of outstanding subordinated indebtedness in GWM as well as contributed an additional US$30.0 million in exchange for a minority non-voting ownership of the common equity. The US$25.8 million of proceeds received from the partial redemption had an associated cost basis of US$25.0 million. Following the partial redemption and subsequent additional contribution, the total invested in GWM is US$106.0 million, inclusive of US$76.0 million of preferred equity and subordinated indebtedness and US$30.0 million of common equity. The annualized distributions on the remaining US$76.0 million of preferred equity and subordinated indebtedness are approximately US$9.1 million.

Fleet Additional Contribution

During Q4 2021, Alaris made an additional US$25.0 million contribution to Fleet which consisted of US$17.0 million of additional preferred equity as well as an investment of US$8.0 million in exchange for the minority ownership of the common equity in Fleet. This transaction also included an exchange of Alaris' existing preferred equity valued at US$10.0 million. Following the contribution the total investment in Fleet is US$35.0 million. The total preferred equity investment of US$27.0 million will result in initial annualized distributions to Alaris of US$3.8 million. Commencing on January 1, 2023, the Fleet distributions will be adjusted based on the change in net revenues, subject to a 6% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

Transactions closed in 2020

Redemption of SBI

On January 7, 2020, SBI entered into a purchase and sale agreement with a third party pursuant to which SBI redeemed all of Alaris' outstanding US$75.0 million of preferred units. The gross proceeds on the redemption to Alaris were US$91.3 million, which consisted of US$84.3 million for the preferred units (inclusive of a US$9.3 million premium) as well as US$7.0 million of distributions for the amounts owed up to the third anniversary date of Alaris' initial investment, being August 31, 2020. These distributions were previously unaccrued and were therefore included as revenue in the year ended December 31, 2020. The gain on redemption had been previously recorded as increases to the investment at fair value over time; however, during the year ended December 31, 2020 the Trust reclassified this gain from net unrealized gains and losses on investments at fair value to realized gain from investments.

Redemption of Sandbox Acquisitions, LLC and Sandbox Advertising LP (collectively, "Sandbox")

On February 28, 2020, Alaris exited its investment in Sandbox for total consideration of US$32.6 million. The proceeds from the Sandbox sale were used to repay outstanding debt and accrued interest owed to Alaris of US$21.9 million, to pay US$1.5 million of accrued distributions owed to Alaris and US$5.1 million to redeem all of the outstanding preferred units. Also included in the total proceeds of US$32.6 million is US$4.1 million to remain in escrow to cover working capital adjustments and indemnity obligations, which, if released, is expected to be paid out over a period of 24 months. Alaris may also receive up to an additional US$2.0 million pursuant to an earnout if certain financial performance criteria are satisfied. Due to the uncertainty regarding the escrow and earnout amounts have not been recorded on the balance sheet and will only be recorded once received (see Note 12).

Revenues, expenses and net earnings from Sandbox in the interim period up to the closing date of February 28, 2020, did not have a material impact on Alaris' statement of comprehensive income.

PFGP Additional Contribution

On March 13, 2020, Alaris made an additional US$3.5 million contribution to PFGP in exchange for an additional US$2.8 million of preferred units and US$0.7 million of a minority interest of the common equity in PFGP. The contribution was part of a total commitment of US$8.0 million to be used as part of expansion into new markets. Following this contribution of US$3.5 million and US$1.0 million in December 2019, the remaining commitment to be funded to PFGP is US$3.5 million. Timing of future funding is unknown at this time.

Investment in Carey Electric Contracting LLC ("Carey Electric")

On June 16, 2020, Alaris made an initial contribution into Carey Electric which consisted of US$16.1 million of preferred equity as well as an investment of US$0.9 million in exchange for a minority ownership of the common equity in Carey Electric. The contribution in exchange for preferred units of US$16.1 million had initial annualized distributions to Alaris of US$2.4 million. The Carey Electric distribution will be adjusted annually (commencing January 1, 2022) based on the change in Carey Electric's gross revenues, subject to a +/- 5% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

GWM Additional Contribution

On October 8, 2020, the Trust contributed an additional US$55.0 million to GWM in exchange for initial annualized distributions of US$6.6 million. The legal structure of GWM being a Corporation (compared to traditional LLC's) required the contribution to be comprised of US$44.0 million of debt and US$11.0 million of preferred equity, consistent with the structure that the Trust initially contributed to in 2018. Distributions received from GWM are after tax and therefore the Trust pays less taxes than a comparable transaction into a Limited Liability Company. The GWM distribution will be adjusted annually (commencing January 1, 2022) based on the change in revenue, subject to an 8% collar.

Proceeds from Phoenix (formerly KMH)

On October 23, 2020, Alaris received US$0.2 million from the third party which purchased a US loan that Alaris had outstanding with Phoenix Holdings Limited ("Phoenix"), a previous partner of Alaris. The US$0.2 million was recorded as a recovery of a previously recorded bad debt expense during the year ended December 31, 2020.

BCC Additional Contribution

On December 7, 2020, Alaris made an additional US$20.0 million contribution to BCC in exchange for preferred equity with initial annualized distributions of US$2.6 million. The additional contribution to BCC was a result of BCC achieving key performance targets agreed to under the original financing. The BCC distribution will be adjusted annually (commencing January 1, 2022) based on the change in same clinic sales, subject to a 6% collar.

Partial Redemption of Redeemable DNT Units

On December 24, 2020, Alaris received a partial redemption of US$5.0 million from DNT in exchange for preferred units which had an associated US$0.9 million of annual distributions. The preferred units were redeemed at par, in accordance with the operating agreement. Following this partial redemption there remains US$40.0 million permanent units in addition to US$22.8 million of redeemable units.

Investment in Edgewater Technical Associates, LLC ("Edgewater")

On December 31, 2020, Alaris made an initial contribution into Edgewater which consisted of US$30.55 million of preferred equity as well as an investment of US$3.45 million in exchange for a minority ownership of the common equity in Edgewater. The contribution in exchange for preferred units of US$30.55 million had initial annualized distributions to Alaris of US$4.3 million. The Edgewater distribution will be adjusted annually (commencing January 1, 2022) based on the change in Edgewater's gross profit, subject to a +/- 6% collar. Alaris is entitled to their ownership percentage of any common equity distributions declared.

Assumptions used in fair value calculations:

Alaris recognizes that the determination of the fair value of its investments becomes more judgmental the longer the investments are held. The price Alaris pays for its investments is fair value at the time of acquisition. Typically, the risk profile and future cash flows expected from the individual investments change over time. Alaris' valuation model incorporates these factors each reporting period. Alaris typically estimates the fair value of the investments by calculating the discounted cash flow of the future distributions for preferred equity and debt instruments carried at fair value. Alaris estimates the fair value of its common equity investments using discounted cash flows or capitalized cash flows of the underlying business. Key assumptions used in the valuation of the preferred unit investments include the discount rate, terminal value growth rate and estimates relating to changes in future distributions. Key assumptions used in the valuation of the common equity investments include the discount rate, terminal value growth rate, cash flow multiple and estimated future cash flows. Alaris also considers the maximum repurchase price outlined in the respective partnership agreement in all fair value adjustments of investments.

For each individual Partner, Alaris considered a number of different discount rate and cash flow multiple factors including what industry they operate in, the size of the entity, the health of the balance sheet and the ability of the historical earnings to cover the future distributions. This was supported by the historical yield of the original investment, current investing yields, and the current yield of other similar public companies. Cash flows have been discounted at rates ranging from 12.5% - 19.5%.

For the year ended December 31, 2021, the Trust has made estimates of the impact of the COVID-19 pandemic as it relates to each Partner's business in determining the fair value of each investment. Assumptions that were assessed and adjusted, where required, for each Partner included:

- Amount of distributions: For each Partner, the Trust estimated whether future distributions would be impacted, including the potential for non-receipt and/or deferrals and adjusted assumptions where necessary;
- Timing of distributions: For each Partner, the Trust estimated whether the timing of receipt of future distributions would likely be impacted and adjusted assumptions where necessary;
- Financial results and future distribution growth rates: For each Partner, the Trust estimated the impact the situation would have on the relevant Partner reset metrics and financial performance, and adjusted assumptions related to changes in future distributions and assumptions of future cash flows used in the common equity valuation where necessary; and
- Discount rates: Based on the matters and assumptions as described above, the Trust also considered the need to adjust discount rates used and adjusted assumptions where necessary.

These assumptions will be refined each reporting period as new information is obtained and may continue to require future adjustment to the fair value of the investments. All assumptions made at December 31, 2021 are based on the information available to the Trust as of the date of these financial statements. Refer to Note 11 for additional information, including sensitivity analyses to these inputs.

5. Investments (continued):

Below is a summary of changes in each investment during the years ended December 31, 2021 and 2020 (total Fair Value Adjustment below excludes $0.5 million received from KMH during Q4 2021 as described earlier):

Investments *($ thousands)*	**Opening Carrying Value**	**Additions**	**Redemptions**	**Foreign Exchange Adjustment**	**Fair Value Adjustment**	**Ending Carrying Value**
2021						
GWM loan receivable	85,500	-	(22,822)	-	-	62,678
GWM	15,400	30,000	(2,178)	-	476	43,698
PFGP	85,500	-	-	-	14,200	99,700
BCC	65,604	25,000	-	-	-	90,604
D&M	-	74,500	-	-	3,400	77,900
Brown & Settle	-	66,394	-	-	(1,700)	64,694
DNT	60,443	-	-	-	2,300	62,743
Accscient	38,877	8,000	-	-	2,600	49,477
FNC	-	40,000	-	-	7,450	47,450
3E	-	39,500	-	-	500	40,000
Kimco	26,532	-	-	-	9,221	35,753
Fleet	11,300	25,000	-	-	(1,300)	35,000
Edgewater	34,000	-	-	-	(2,600)	31,400
Unify	25,700	-	-	-	2,600	28,300
Carey Electric	17,000	-	(1,000)	-	180	16,180
Heritage	15,200	-	-	-	-	15,200
Stride	6,000	-	-	-	(500)	5,500
FED	74,624	-	(80,924)	-	6,300	-
ccComm	3,827	-	(11,000)	-	7,173	-
Total (based in US) - in USD	565,507	308,394	(117,924)	-	50,300	806,277
Total Pref/Debt (based in US) - USD	546,013	242,350	(117,924)	-	37,870	708,309
Total Common (based in US) - USD	19,494	66,044	-	-	12,430	97,968
Total (based in US) - CAD	**$ 722,887**	**$ 390,755**	**$ (152,105)**	**$ 3,468**	**$ 65,497**	**$ 1,030,502**
Amur	70,500	-	-	-	2,700	73,200
LMS	52,622	-	-	-	(4,900)	47,722
SCR	34,503	-	-	-	(600)	33,903
Total (based in Canada)	**$ 157,625**	**$ -**	**$ -**	**$ -**	**$ (2,800)**	**$ 154,825**
Total Pref/Debt (based in Canada)	137,125	-	-	-	(3,700)	133,425
Total Common (based in Canada)	20,500	-	-	-	900	21,400
Investments - December 31, 2021	**$ 880,512**	**$ 390,755**	**$ (152,105)**	**$ 3,468**	**$ 62,697**	**$ 1,185,327**

Investments *($ thousands)*	**Opening Carrying Value**	**Additions**	**Redemptions**	**Foreign Exchange Adjustment**	**Fair Value Adjustment**	**Ending Carrying Value**
2020						
GWM loan receivable	41,500	44,000	-	-	-	85,500
GWM	7,600	11,000	-	-	(3,200)	15,400
PFGP	89,000	3,500	-	-	(7,000)	85,500
FED	73,524	-	-	-	1,100	74,624
BCC	46,904	20,000	-	-	(1,300)	65,604
DNT	68,943	-	(5,000)	-	(3,500)	60,443
Accscient	38,277	-	-	-	600	38,877
Edgewater	-	34,000	-	-	-	34,000
Kimco	11,332	-	-	-	15,200	26,532
Unify	25,000	-	-	-	700	25,700
Carey Electric	-	17,000	-	-	-	17,000
Heritage	16,200	-	-	-	(1,000)	15,200
Fleet	10,400	-	-	-	900	11,300
Stride	6,000	-	-	-	-	6,000
ccComm	14,827	-	-	-	(11,000)	3,827
SBI	84,240	-	(84,240)	-	-	-
Providence	22,941	-	-	-	(22,941)	-
Total (based in US) - in USD	556,688	129,500	(89,240)	-	(31,441)	565,507
Total Pref/Debt (based in US) - USD	540,000	124,494	(89,240)	-	(29,241)	546,013
Total Common (based in US) - USD	16,688	5,006	-	-	(2,200)	19,494
Total (based in US) - CAD	**$ 727,480**	**$ 170,465**	**$ (117,698)**	**$ (11,693)**	**$ (45,667)**	**$ 722,887**
Amur	70,000	-	-	-	500	70,500
LMS	49,054	-	-	(113)	3,681	52,622
SCR	34,503	-	-	-	-	34,503
Total (based in Canada)	**$ 153,557**	**$ -**	**$ -**	**$ (113)**	**$ 4,181**	**$ 157,625**
Total Pref/Debt (based in Canada)	133,557	-	-	(113)	3,681	137,125
Total Common (based in Canada)	20,000	-	-	-	500	20,500
Investments - December 31, 2020	**$ 881,037**	**$ 170,465**	**$ (117,698)**	**$ (11,806)**	**$ (41,486)**	**$ 880,512**

Distributions:

The total revenues, net of realized foreign exchange gain or loss, includes the total distributions received and accrued from Partners, interest income received and accrued from Partners on outstanding promissory notes and the realized gain or loss on derivative contracts entered into in order to translate USD revenues to CAD. The Trust recorded distribution revenue, interest and realized gain/losses on foreign exchange contracts as follows:

Partner Distributions:	**Year ended December 31**	
$ thousands	**2021**	**2020**
Preferred Equity and Debt investment Distributions	$ 140,166	$ 105,605
Common Equity investments Distributions	3,294	1,137
Total Distributions	$ 143,460	$ 106,742
Interest	1,841	2,741
Realized gain on derivative contracts	2,363	85
Revenues, including realized foreign exchange gain	**$ 147,664**	**$ 109,568**

Promissory notes and other assets:

As part of being a long-term partner with the entities Alaris holds preferred interests in, from time to time Alaris has offered alternative financing solutions to assist with short-term needs of the individual businesses. Should there be an adverse event to any of the below businesses, the timing and amounts collected could be negatively impacted.

During the year ended December 31, 2021, the promissory notes and other assets due from Kimco that had previously been disclosed as non-current were reclassified to current, due to partial repayments during 2021 of US$8.5 million as well as the expectation that Kimco will have sufficient excess cash flows to repay the remaining amounts within the next twelve months.

Below is a summary of changes in promissory notes and other assets for the years ended December 31, 2021 and 2020.

Reconciliation of Promissory notes and other assets *($ thousands)*	**Year ended**	
	31-Dec-21	*31-Dec-20*
Face Value - Opening	$ 27,327	$ 30,150
Opening provision for credit losses	(4,094)	(3,907)
Carrying value as at beginning of period	**$ 23,233**	**$ 26,243**
Additions	1,030	-
Repayments	(14,435)	(2,499)
Bad debt recovery / (expense)	4,030	(81)
Foreign exchange	(303)	(430)
Carrying value as at end of period	**$ 13,555**	**$ 23,233**
Promissory notes & other assets - current	$ 13,555	$ 4,000
Promissory notes & other assets - non-current	-	19,233

The Trust has the following promissory notes and other assets outstanding as of December 31, 2021 and 2020:

Promissory notes and other assets	**Note**	**Carrying Value**	
($ thousands)		*31-Dec-21*	*31-Dec-20*
Lower Mainland Steel	*(1)*	$ -	$ 4,000
Kimco - accounts receivable	*(2)*	-	2,326
Kimco - promissory notes	*(3)*	12,525	16,907
D&M	*(4)*	1,030	-
Balance		**$ 13,555**	**$ 23,233**

(1) - unsecured short-term note bearing interest of 12% per annum, fully repaid in 2021.

(2) - unpaid distributions reclassified to a non-interest bearing accounts receivable in 2016. Balance fully repaid as of December 31, 2021.

(3) - unsecured promissory notes with notional amounts of US$7.8 million (bearing interest at 8% per annum) and US$2.0 million (bearing interest at 12% per annum). During 2021, US$4.0 million of the promissory notes was repaid.

(4) - in December 2021, Alaris invested an additional US$4.5 million of preferred equity to D&M along with a short-term subordinated note for US$0.8 million. The short-term note is bearing interest at 14% per annum and is expected to be repaid within the next twelve months.

The expected credit loss model classifies Alaris' outstanding promissory notes and other assets in three stages based on their credit quality. Stage 1 represents the lowest credit risk and stage 3 represents loans that are credit impaired. As at December 31, 2021 the Trust had $13.6 million (December 31, 2020 - $20.9 million) of promissory notes and other assets classified as stage 1 and $nil classified as stage 3 (December 31, 2020 - $2.3 million). There was a transfer of $2.3 million from Stage 3 to Stage 1, as well as a bad debt recovery of $4.0 million, during the year ended December 31, 2021. The transfer between stages and the bad debt recovery is due to the reduced risk of credit losses on the Kimco accounts receivable and the Kimco promissory notes. The Kimco promissory notes are recorded at their original face value as at December 31, 2021 due to this transfer between stages and the associated lower credit risk. The cumulative total credit loss provision as at December 31, 2021 is $nil (December 31, 2020 - $3.9 million).

6. Unitholders' capital:

The Trust has authorized, issued and outstanding, 45,149,386 voting units as at December 31, 2021 (December 31, 2020 – 38,996,399).

Issued Trust Units	Number of Units	Amount ($)
	thousands	*$ thousands*
Balance at January 1, 2020	36,709	$ 625,313
Trust units issued by short form prospectus	3,347	46,014
Short form prospectus costs	-	(2,639)
RTUs vested	97	1,351
Trust units repurchased under the NCIB	(1,157)	(10,051)
Balance at December 31, 2020	38,996	$ 659,988
Trust units issued by short form prospectus	5,909	94,550
Short form prospectus costs	-	(4,263)
RTUs vested	244	4,347
Balance at December 31, 2021	**45,149**	**$ 754,622**

Outlined below is the weighted average units outstanding for the year ended December 31, 2021 and 2020:

Weighted Average Units Outstanding	Year ended December 31	
thousands	2021	2020
Weighted average units outstanding, basic	43,994	36,121
Effect of outstanding convertible debentures	4,124	-
Effect of outstanding RTUs	314	361
Weighted average units outstanding, fully diluted	48,432	36,482

There were 984,019 options excluded from the calculation as they were anti-dilutive at December 31, 2021 and 2020, respectively.

Distributions

Upon conversion to an income trust, the previously used term of dividends has changed to distributions. For the three months ended December 31, 2021, the Trust declared a quarterly distribution of $0.33 per unit, paid on January 17, 2022. The total distributions declared during the year ended December 31, 2021 were $1.28 per unit and $57.7 million in aggregate (2020 - $1.3225 per unit and $48.6 million in aggregate).

Normal course issuer bid

On March 20, 2020, the Trust announced that it had received approval from the Toronto Stock Exchange ("TSX") to establish a normal course issuer bid ("NCIB") program. Under the NCIB, the Trust may purchase for cancellation up to 3,473,720 trust units (formerly, common shares). The NCIB represents approximately 10% of the Trust's public float of its issued and outstanding shares as at March 19, 2020. The NCIB commenced on March 24, 2020 and remained in effect until March 23, 2021. There were no additional units repurchased under this program during the year ended December 31, 2021.

Unit offering

In March 2021, Alaris completed a bought deal short-form prospectus offering, with the total trust units being issued of 5,909,375 at a price of $16.00 per unit, for aggregate gross proceeds of $94.6 million. After deduction of the underwriters' fees and expenses of the offering, net proceeds to Alaris were $90.3 million.

7. Loans and borrowings:

As at December 31, 2021, AEP has a $400 million credit facility with a syndicate of Canadian chartered banks, which has a maturity date in November 2023 and is secured by a general security agreement on all of Alaris' assets. The interest rate is based on a combination of the CAD Prime Rate ("Prime"), Bankers' Acceptances ("BA"), US Base Rate ("USBR") and LIBOR. Alaris realized a blended interest rate of 4.5% (inclusive of standby fees) for the year ended December 31, 2021.

At December 31, 2021, AEP had US$256.8 million (CA$328.2 million) drawn on its credit facility (December 31, 2020 – US$180.3 million and CA$1.0 million, total of CA$231.4 million). The amount recorded in the Trust's statement of financial position of $326.6 million is reduced by the unamortized debt amendment and extension fees of $1.6 million.

At December 31, 2021, AEP met all of its covenants as required under the credit facility. Those covenants include a maximum funded debt to contracted EBITDA of 2.5:1, which can be increased to 3.0:1 for up to 90 days (actual ratio is 2.38x at December 31, 2021); minimum tangible net worth of $450.0 million (actual amount is $788.9 million at December 31, 2021); and a minimum fixed charge coverage ratio of 1:1 (actual ratio is 1.50x at December 31, 2021).

Subsequent to December 31, 2021, following the issuance of debentures as described in Note 14, the proceeds were used to repay amounts on Alaris' credit facility reducing the funded debt to contracted EBITDA ratio.

8. Convertible debentures:

The Trust has convertible unsecured subordinated debentures ("Debentures") that bear interest at 5.50% per annum, payable semi-annually on the last business day of June and December with a maturity date of June 30, 2024.

The Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the maturity date of June 30, 2024 and the date specified by the Trust for redemption of the Debentures into fully paid and non-assessable units of the Trust at a conversion price of $24.25 per unit, being a conversion rate of approximately 41.2371 units for each $1,000 principal amount of Debentures.

The Debentures are not redeemable by the Trust before June 30, 2022. On and after June 30, 2022 and prior to June 30, 2023, the Debentures may be redeemed in whole or in part from time to time at the option of the Trust at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On and after June 30, 2023, the Debentures may be redeemed in whole or in part from time to time at the option of the Trust at a price equal to their principal amount plus accrued and unpaid interest regardless of the trading price of the units.

Convertible Debenture *($ thousands)*	**Debt**	**Equity**	**Total**
Balance at January 1, 2020	$ 90,939	$ 4,059	$ 94,998
Accretion	2,228	-	2,228
Non-cash impact of trust conversion	(7,138)	(4,059)	(11,197)
Balance at December 31, 2020	$ 86,029	-	$ 86,029
Accretion	3,563	-	3,563
Balance at December 31, 2021	**$ 89,592**	**-**	**$ 89,592**

9. Unit-based payments:

The Trust has a Restricted Trust Unit Plan ("RTU Plan"), formerly Restricted Share Unit Plan, and a Unit Option Plan as approved by shareholders at a special shareholders meeting on July 31, 2008 that authorizes the Board of Directors to grant awards of Restricted Trust Units ("RTUs") and Unit Options ("Options") subject to a maximum of ten percent of the issued and outstanding units of the Trust.

The RTU Plan will settle in voting trust units which may be issued from treasury or purchased on the Toronto Stock Exchange. The Trust has reserved 1,127,902 and issued 314,021 RTUs to management and Directors as of December 31, 2021. The RTUs issued to directors (70,406) vest over a three-year period. The RTUs issued to management (243,615) are a combination of time vested units (123,712) and performance vested units (119,903). The time vested units do not vest until the end of a three-year period (14,636 in 2022, 58,300 in 2023 and 50,776 in 2024). The performance vested units vest one third every year (49,694 in 2022, 44,821 in 2023 and 25,388 in 2024) and are subject to certain performance conditions relating to book value per unit. The unit-based compensation expense relating to the RTU Plan is based on the unit price of the Alaris units at December 31, 2021 and based on the remaining time left until vesting for each tranche of units. At December 31, 2021, the total liability related to the RTU and Option Plan is $3.5 million, $1.7 million of which is included in Accounts payable and accrued liabilities and $1.8 million in Other long-term liabilities.

The Trust has reserved and issued 984,019 options as of December 31, 2021. The options outstanding at December 31, 2021 have an exercise price in the range of $20.60 to $22.47, a weighted average exercise price of $21.55 (2020 – $21.70) and a weighted average contractual life of 0.40 years (2020 – 1.39 years).

As a result of Alaris' conversion to an income trust during the year ended December 31, 2020, the Trust reclassified amounts in 2020 to liability accounts, that had been previously recorded to equity reserve related to future unit-based compensation issuances. As at December 31, 2021, the total liability is $3.5 million (2020 - $2.5 million), $1.7 million of which is included in Accounts payable and accrued liabilities (2020 - $1.7 million) and $1.8 million in Other long-term liabilities (2020 - $0.8 million).

The following table summarizes the stock-based compensation expense recognized in 2021 and 2020, along with a continuity of RTUs and Options in each period:

For the year ended December 31, 2021					
	As at Jan 1, 2021	Issued	Vested or exercised	Forfeited / Expired	As at Dec 31, 2021
RTUs	361,518	196,115	(243,612)	-	314,021
Options	984,019	-	-	-	984,019

For the year ended December 31, 2020					
	As at Jan 1, 2020	Issued	Vested or exercised	Forfeited / Expired	As at Dec 31, 2020
RTUs	291,993	199,431	(97,359)	(32,547)	361,518
Options	1,433,866	-	-	(449,847)	984,019

The following table summarizes the options outstanding and exercisable as at December 31, 2021 and 2020:

Exercise Price	Number Outstanding		Weighted average remaining life (years)		Number exercisable	
	2021	2020	2021	2020	2021	2020
$22.47	472,913	472,913	0.04	1.04	472,913	472,913
$22.33	30,000	30,000	0.20	1.20	30,000	30,000
$20.60	481,106	481,106	0.79	1.79	481,106	481,106
Total	984,019	984,019	0.40	1.39	984,019	984,019

10. Income taxes:

The statutory tax rate for the year ended December 31, 2021 was 48% which is the top marginal tax rate of the Trust (December 31, 2020 – 48%). The Trust Indenture requires that any income of the Trust be allocated to unitholders and so it is not anticipated that the Trust as a stand-alone entity will be taxable. The tax provision differs from the expected income tax provision calculated using the Trust's statutory tax rate as follows:

Income Tax Expense	2021	2020
Earnings before income taxes	166,045	35,048
Combined federal and provincial statutory income tax rate	48.00%	48.00%
Expected income tax provision	$ 79,702	$ 16,823
Loss (Income) of the Trust	(20,118)	2,644
Canadian and Foreign corporate rate differences	(30,190)	(11,691)
Expected income tax provision after rate differences	29,394	7,776
Non-taxable portion of capital gains	481	(3,372)
Non-deductible interest	(7,199)	13,656
Non-deductible expense and other	(894)	(1,962)
Change in unrecognized deferred tax assets	(55)	(1,650)
Prior period adjustment	74	309
Balance at end of year	**$ 21,801**	**$ 14,757**

Cash taxes paid by the Trust's subsidiaries during the year were $14.3 million (net of refunds of $1.1 million) and in 2020 the Trust paid $7.6 million (net of refunds of $1.7 million).

Alaris currently has $93.8 million (US$73.4 million) of non-capital losses that can be carried forward indefinitely within the Trust's subsidiary Alaris USA.

The income tax effect of the temporary differences that give rise to the Trust's deferred income tax assets and liabilities are as follows:

Deferred income tax liabilities:	**2021**	**2020**
Preferred partnership units	$ (63,069)	$ (12,371)
Share issue costs	622	837
Convertible debentures	(2,682)	(3,606)
Disallowed interest and net capital losses	-	809
Derivatives	27	(245)
Foreign exchange on loan receivable	-	(193)
Foreign exchange on loan payable	(247)	(1,015)
Distributions to be taxed in future years	(17)	(557)
Bad debt	-	1,000
Unrecognized Deferred Tax Asset	(932)	(771)
Non-capital losses, other	22,395	-
Balance at end of year	**$ (43,903)**	**$ (16,112)**

Movement in deferred tax balances during the year	**Deferred Income Taxes**
Balance at January 1, 2020	**$ (3,729)**
Recognized in profit and loss	(15,632)
Reduction to investment tax credit	3,274
Currency translation and other	(25)
Balance at December 31, 2020	**(16,112)**
Recognized in profit and loss	(27,483)
Currency translation and other	(308)
Balance at December 31, 2021	**$ (43,903)**

Beginning in 2015, the Trust began receiving notices of reassessment (the "Reassessments") from the Canada Revenue Agency (the "CRA") in respect of its 2009 through 2019 taxation years to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits. Pursuant to the Reassessments, the deduction of approximately $121.2 million of non-capital losses and utilization of $9.9 million in investment tax credits ("ITCs") by the Trust were denied, resulting in reassessed taxes and interest of approximately $61.0 million (2020 - $55.6 million).

Subsequent to filing the original notice of objection for the July 14, 2009 taxation year, Alaris received an additional proposal from the CRA proposing to apply the general anti avoidance rule to deny the use of these deductions. The proposal does not impact the Trust's previously disclosed assessment of the total potential tax liability (including interest) or the deposits required to be paid in order to dispute the CRA's reassessments.

At the time the relevant transactions were completed, the Trust received legal advice that it should be entitled to deduct the non-capital losses and claim ITCs. Based on ongoing discussions with its legal counsel, the Trust remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing such Reassessments. The Trust intends to continue to vigorously defend its tax filing position. In order to do that, the Trust was required to pay 50% of the reassessed amounts as a deposit to the Canada Revenue Agency and Alberta Treasury. The Trust has paid a total of $25.0 million (2020 - $20.2 million) in deposits to the CRA and Alberta Treasury relating to the Reassessments to date. These deposits have been recorded on the statement of financial position.

The Trust anticipates that legal proceedings through the CRA and the courts will take considerable time to resolve and the payment of the deposits, and any taxes, interest or penalties owing will not materially impact the Trust's payout ratio. The Trust firmly believes it will be successful in defending its position and therefore, any current or future deposit paid to the CRA and Alberta Treasury would be refunded, plus interest.

Should the Trust be unsuccessful, it will be required to pay the remaining reassessed taxes and interest and will not recover the $25.0 million in deposits paid to December 31, 2021.

11. Fair value of financial instruments:

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following items shown on the statement of financial position as at December 31, 2021 and December 31, 2020, are measured at fair value on a recurring basis using level 2 or level 3 inputs. Discount rates, terminal value growth rates, cash flow multiples, changes in future distributions from each investment and estimated future cash flows are the primary inputs in the fair value models and are generally unobservable. Accordingly, these fair value measures are classified as level 3. There were no transfers between level 2 or level 3 classified assets and liabilities during the year ended December 31, 2021.

Fair value classification *($ thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
31-Dec-21				
Derivative contracts	$ -	$ 71	$ -	$ 71
Investments	-	-	1,185,327	1,185,327
Total at December 31, 2021	**$ -**	**$ 71**	**$ 1,185,327**	**$ 1,185,398**
31-Dec-20	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative contracts	$ -	$ 1,489	$ -	$ 1,489
Investments	-	-	880,512	880,512
Total at December 31, 2020	**$ -**	**$ 1,489**	**$ 880,512**	**$ 882,001**

The Trust purchases forward exchange rate contracts to match a portion of the quarterly distributions and expenses in Canadian dollars on a rolling 12-month basis and also a portion of the expected costs on a rolling 12 to 24 month basis. The notional value of outstanding foreign exchange contracts is US$51.9 million as at December 31, 2021 (US$37.5 million as at December 31, 2020). There is an interest rate swap that allows for a fixed interest rate of 0.35% instead of LIBOR on US$25.0 million of debt and an additional interest rate swap that allows for a fixed interest rate of 0.74% instead of LIBOR on US$50.0 million of debt, both with an expiry in June 2023.

The total position of the forward exchange rate contracts and the interest rate swap is included above and in the statement of financial position as Derivative Contracts.

The most significant assumptions in the calculation of fair value of Level 3 Investments are the discount rate, terminal value growth rates, cash flow multiples, changes in future distributions and estimated future cash flows.

As outlined in Note 5, cash flows have been discounted at rates ranging from 12.5% to 19.5%. If the discount rate increased (decreased) by 1%, the fair value of Level 3 investments at December 31, 2021 would decrease by $58.3 million and increase by $69.2 million. If the terminal value growth rate increased (decreased) by 1%, the fair value of Level 3 investments would increase by $55.4 million and decrease by $46.5 million. For the preferred unit investments, if changes in future distributions increased (decreased) by 1% the fair value of Level 3 investments would increase by $6.3 million and decrease by $6.2 million. For the common equity investments, if the estimated future cash flows increased (decreased) by 1%, the fair value of the common equity investments would increase by $3.0 million and decrease by $3.1 million. For the common equity investments, if the cash flow multiples increased (decreased) by 1%, the fair value of the common equity investments would increase by $1.1 million and decrease by $1.1 million.

12. Commitments and contingencies:

The Trust has a commitment to an additional contribution of US$3.5 million to PFGP (inclusive of US$2.8 million of preferred equity and US$0.7 million of common equity, terms consistent with the two existing classes). Timing of the additional funding is unknown at this time.

Subsequent to closing of the sale of Sandbox in February of 2020, AEP received a direct claim and protest notice (the "Notices") from the purchasers of Sandbox for amounts under the indemnification and working capital adjustment provisions. In September 2020, the purchaser served AEP with a complaint (the "Complaint"), which advances claims centered upon the assertions contained in the Notices that were previously disclosed. That is, the Complaint alleges, among other things, that AEP and certain of its representatives breached some of the representations and warranties of the purchase and sale agreement ("purchase agreement") and in so doing committed fraud. The Complaint also asserts that AEP breached the purchase and sale agreement when it took the position that certain issues related to a working capital adjustment were not appropriate for arbitration. The Complaint alleges damages of approximately US$37.2 million. AEP and the Trust believe the claims within the Complaint are without merit and is vigorously defending the case. The Complaint has progressed to the discovery stage and AEP has filed a counterclaim against the purchasers of Sandbox.

Based upon its knowledge of the facts of the pre-closing of Sandbox, the sale process and other advice obtained to date, no liability has been recorded in the financial statements.

13. Related parties:

In addition to salaries, the Trust also provides long-term compensation to employees of its subsidiaries in the form of options and RTUs, as well as bonuses. Key management personnel compensation comprised the following:

Key Management Personnel *($ thousands)*	**2021**	**2020**
Base salaries and benefits	$ 1,600	$ 1,024
Bonus	751	853
Unit-based compensation	232	859
Total for year ended December 31	**$ 2,583**	**$ 2,736**

14. Subsequent events:

Senior Unsecured Debentures

On February 4, 2022, the Trust announced the completion of a $65.0 million bought deal offering at a price of $1,000 per debenture. The debentures will bear interest at a rate of 6.25% per annum, payable semi-annually in arrears on the last day of March and September of each year, commencing on March 31, 2022, and will mature on March 31, 2027. After the deduction of the underwriters' fees and expenses of the offering, net proceeds to Alaris were approximately $62.0 million and were used to repay loans and borrowings.