Consolidated Financial Statements of

ALARIS EQUITY PARTNERS INCOME TRUST

Audited financial statements for the years ended

December 31, 2022 and 2021

INDEPENDENT AUDITOR'S 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, 2022 and December 31, 2021
- 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, 2022 and December 31, 2021, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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 $1,248,159,000 as at December 31, 2022. 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 2022 distributions received to the amount budgeted for 2022 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

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 auditor's 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 auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's 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 auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

March 9, 2023

Chartered Professional Accountants

Alaris Equity Partners Income Trust

Consolidated statements of financial position

$ thousands	Note	31-Dec 2022	31-Dec 2021
Assets			
Cash		$ 60,193	$ 18,447
Derivative contracts	11	2,507	71
Accounts receivable and prepayments		2,689	3,181
Income taxes receivable		22,675	28,991
Promissory notes and other assets	5	-	13,555
Current Assets		$ 88,064	$ 64,245
Property and equipment		485	658
Other long-term assets	10,11	33,395	24,979
Investments	5	1,248,159	1,185,327
Non-current assets		$ 1,282,039	$ 1,210,964
Total Assets		**$ 1,370,103**	**$ 1,275,209**
Liabilities			
Accounts payable and accrued liabilities	9	$ 11,517	$ 8,214
Distributions payable	6	15,395	14,899
Derivative contracts	11	2,818	-
Office Lease		352	500
Income tax payable		306	740
Current Liabilities		$ 30,388	$ 24,353
Deferred income taxes	10	67,386	43,903
Loans and borrowings	7	216,077	326,569
Convertible debenture	8	93,446	89,592
Senior unsecured debenture	8	62,613	-
Other long-term liabilities	9,11	1,938	1,933
Non-current liabilities		$ 441,460	$ 461,997
Total Liabilities		**$ 471,848**	**$ 486,350**
Equity			
Unitholders' capital	6	$ 757,220	$ 754,622
Translation reserve		51,391	15,052
Retained earnings		89,644	19,185
Total Equity		**$ 898,255**	**$ 788,859**
Total Liabilities and Equity		**$ 1,370,103**	**$ 1,275,209**
Commitments and contingencies	12		
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On behalf of the Board:

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

Director (signed) *"Sophia Langlois"*

Alaris Equity Partners Income Trust

Consolidated statements of comprehensive income

$ thousands except per unit amounts	Note	Year ended December 31 2022	Year ended December 31 2021
Revenues, including realized foreign exchange gain	5	$ 190,046	$ 147,664
Net realized gain from investments	5	37,941	9,921
Net unrealized gain / (loss) on investments at fair value	5	(29,906)	53,275
Bad debt recovery	5	-	4,030
Total revenue and other operating income		**$ 198,081**	**$ 214,890**
General and administrative		22,032	13,273
Transaction diligence costs		4,640	4,246
Unit-based compensation	9	2,762	5,362
Depreciation and amortization		216	211
Total operating expenses		29,650	23,092
Earnings from operations		**$ 168,431**	**$ 191,798**
Finance costs	7,8	28,185	24,988
Net unrealized loss on derivative contracts	11	106	1,419
Foreign exchange gain		(14,816)	(654)
Earnings before taxes		**$ 154,956**	**$ 166,045**
Current income tax expense / (recovery)	10	3,970	(5,682)
Deferred income tax expense	10	20,310	27,483
Total income tax expense		24,280	21,801
Earnings		**$ 130,676**	**$ 144,244**
Other comprehensive income			
Foreign currency translation differences		36,339	2,621
Total comprehensive income		**$ 167,015**	**$ 146,865**
Earnings per unit			
Basic		$ 2.89	$ 3.28
Fully diluted		$ 2.79	$ 3.13
Weighted average units outstanding			
Basic	6	45,249	43,994
Fully Diluted	6	49,728	48,432

Alaris Equity Partners Income Trust

Consolidated statement of changes in equity

For the year ended December 31, 2022

$ thousands, except for number of units (000's)	Notes	Units Outstanding	Unitholders' Capital	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2022		45,149	$ 754,622	$ 15,052	$ 19,185	$ 788,859
Earnings for the year		-	-	-	130,676	130,676
Other comprehensive income						
Foreign currency translation differences		-	-	36,339	-	36,339
Total comprehensive income for the period		-	$ -	$ 36,339	$ 130,676	$ 167,015
Transactions with unitholders, recognized directly in equity						
Distributions to unitholders	6	-	$ -	$ -	$ (60,217)	$ (60,217)
Units issued under RTU plan	6	132	2,598	-	-	2,598
Total transactions with Unitholders		132	$ 2,598	$ -	$ (60,217)	$ (57,619)
Balance at December 31, 2022		**45,281**	**$ 757,220**	**$ 51,391**	**$ 89,644**	**$ 898,255**

Alaris Equity Partners Income Trust
Consolidated statement of changes in equity
For the year ended December 31, 2021

$ thousands, except for number of units (000's)	Notes	**Units Outstanding**	**Unitholders' Capital**	**Equity Reserve**	**Translation Reserve**	**Retained Earnings / (Deficit)**	**Total Equity**
Balance at January 1, 2021		38,996	$ 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	244	4,347	-	-	-	4,347
Units issued in the period by short form prospectus	6	5,909	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		6,153	$ 94,634	$ (17,621)	$ -	$ (40,033)	$ 36,980
Balance at December 31, 2021		**45,149**	**$ 754,622**	**$ -**	**$ 15,052**	**$ 19,185**	**$ 788,859**

Alaris Equity Partners Income Trust

Consolidated statements of cash flows

$ thousands	Notes	Year ended December 31 2022	2021
Cash flows from operating activities			
Earnings for the period		130,676	144,244
Adjustments for:			
Finance costs	7,8	28,185	24,988
Deferred income tax expense		20,310	27,483
Depreciation and amortization		216	211
Bad debt recovery		-	(4,030)
Net realized (gain) / loss from investments	5	(32,097)	(9,921)
Net unrealized (gain) / loss of investments at fair value	5	29,906	(53,275)
Unrealized (gain) / loss on derivative contracts	11	106	1,419
Unrealized foreign exchange (gain) / loss		(13,690)	(654)
Transaction diligence costs		4,640	4,246
Unit-based compensation	9	2,762	5,362
Cash from operations, prior to changes in working capital		171,014	140,073
Changes in working capital:			
Accounts receivable and prepayments		492	(2,200)
Income tax receivable / payable		9,056	(15,997)
Other long-term assets	10, 11	(7,448)	-
Accounts payable, accrued liabilities		1,466	2,805
Cash generated from operating activities		174,580	124,681
Cash interest paid	7, 8	(22,164)	(20,523)
Net cash from operating activities		152,416	104,158
Cash flows from investing activities			
Acquisition of investments	5	(155,884)	(357,750)
Transaction diligence costs		(4,640)	(4,246)
Proceeds from partner redemptions	5	161,838	119,600
Promissory notes and other assets issued	5	(2,738)	(1,030)
Promissory notes and other assets repaid	5	16,274	14,435
Net cash from / (used in) investing activities		14,850	(228,991)
Cash flows from financing activities			
Repayment of loans and borrowings	7	(267,692)	(219,624)
Proceeds from loans and borrowings	7	142,528	318,130
Debt amendment and extension fees		(2,317)	(552)
Issuance of unitholders' capital, net of unit issue costs	6	-	90,287
Proceeds from senior unsecured debenture, net of fees	8	62,192	-
Distributions paid	6	(59,721)	(54,844)
Office lease payments		(148)	(159)
Deposits with CRA	10	-	(4,773)
Net cash from / (used in) financing activities		(125,158)	128,465
Net increase in cash		42,108	3,632
Impact of foreign exchange on cash balances		(362)	(1,683)
Cash, Beginning of year		18,447	16,498
Cash, End of year		60,193	18,447
Cash taxes paid / (received)		(3,010)	14,267

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, 2022 are 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 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. In the year ended December 31, 2022 the Trust's wholly-owned subsidiary in the Netherlands, Alaris Cooperatief U.A. ("Alaris Cooperatief") was liquidated.

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 Trustees on March 9, 2023.

(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 and AEP's functional currency. Alaris USA Inc., Salaris USA, and Alaris Cooperatief have the United States dollar as its functional currency.

(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 in 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 control or significantly influence the investment.

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.

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.

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 Method
Cash	Amortized cost
Accounts receivables	Amortized cost
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 and senior debentures	Amortized cost
Derivative contracts	FVTPL
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.

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.

(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.

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.

(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.

(h) Finance costs

Finance costs are composed of interest expense on borrowings, interest expense on convertible and senior unsecured debentures, accretion expense on convertible and senior unsecured 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 include 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 are comprised of 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.

(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.

Additionally, the Trust has US dollar loans with its US subsidiaries that do not form part of a net investment in the foreign operations, at balance sheet date, foreign exchange revaluation is recognized in earnings and presented as foreign exchange gain or loss.

(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 Trustees 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 Trustees 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 losses on investment values. Based on the terms of the investment agreement, payment is typically receivable monthly or quarterly, with receipt of payment due no later than the last day of the month payment becomes due.

Cash 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 of $60.2 million at December 31, 2022 (December 31, 2021 - $18.5 million), which represents its maximum credit exposure on these assets.

The carrying amount of investments, accounts receivables, promissory notes, and cash 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 14% of the Trust's revenue in the years ended December 31, 2022 and 2021.

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 $450 million, revolving credit facility maturing in 2026, and has $219.1 million balance drawn at December 31, 2022 ($328.2 million at December 31, 2021).

As at December 31, 2022 the Trust has the following financial liabilities that mature as follows:

31-Dec-22	Total	0-6 Months	6 mo – 1 yr	1 – 2 years	Year 3 and Thereafter
Accounts payable and accrued liabilities	$ 11,517	$ 11,110	$ 407	$-	$-
Distributions payable	15,395	15,395	-	-	-
Derivative contracts	3,509	1,712	1,106	691	-
Office Lease Payments	497	91	101	203	102
Other long-term liabilities	1,247	-	-	831	416
Convertible debenture	100,000	-	-	100,000	-
Senior unsecured debenture	65,000	-	-	-	65,000
Loans and borrowings	219,107	-	-	-	219,107
Total	$ 416,272	$ 28,308	$ 1,614	$ 101,725	$ 284,625

Derivative contracts in the above table are the sum of current and long-term liability obligations. Other long-term liabilities are adjusted for long-term derivative contracts included in Derivative contracts. Convertible and senior unsecured debentures and Loans and borrowings are presented gross, to present the expected financial obligation owed.

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$58.1 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, 2022, 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 $2.2 million lower due to lower net income from US subsidiaries and a reduction to unrealized gain on loans to subsidiaries, partially offset by a reduction to the unrealized loss on USD denominated external senior debt, a reduction to the unrealized loss on forward exchange rate contracts 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, 2022, 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 holds three interest rate swap contracts. There is an interest rate swap that allows for a fixed interest rate of 0.35% instead of SOFR ("Secured Overnight Financing Rate") on US$25.0 million of debt, and an interest rate swap that allows for a fixed interest rate of 0.74% instead of SOFR on US$50.0 million of debt, both with an expiry in June 2023. The Trust also has an interest rate swap that allows for a fixed interest rate of 2.99% instead of SOFR on US$50.0 million of debt that begins in July 2023 and expires July 2026.

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 $450.0 million revolving credit facility, a $50.0 million accordion facility, $100.0 million of convertible debentures and retained earnings and in February 2022 the Trust issued an additional $65.0 million of senior unsecured debentures. The Board of Trustees monitors the return on capital as well as the level of distributions to common unitholders.

The Trust manages capital by monitoring certain debt covenants set out in its credit facility. In September 2022, the Trust completed an amendment to its credit facility with its senior lenders. The amendment increased the base of the credit facility from $400 million to $450 million and included an addition of an eighth bank to the syndicate. The amendment also extended the facility maturity from November 2023 to September 2026. 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, the amendment increased the minimum tangible net worth requirement of $450.0 million to $550.0 million. Tangible net worth is defined as unitholders equity less intangible assets. The Trust was in compliance with all debt covenants at December 31, 2022 (please refer to Note 7 for actual ratios as of December 31, 2022). 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 December 31, 2022 and 2021. 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-22**	**31-Dec-21**	**31-Dec-22**
Body Contour Centers, LLC ("BCC")	US $ 165,303	US $ 90,604	US $ 156,000
PF Growth Partners, LLC ("PFGP") **Note 1**	99,329	99,700	94,629
Accscient, LLC ("Accscient")	77,277	49,477	72,000
D&M Leasing ("D&M")	71,800	77,900	74,500
DNT Construction, LLC ("DNT")	63,943	62,743	62,800
Brown & Settle Investments, LLC ("Brown & Settle")	63,894	64,694	66,394
GWM Loan Receivable at amortized cost	62,678	62,678	62,946
GWM Holdings, Inc ("GWM")	16,699	43,698	43,054
3E, LLC ("3E")	40,000	40,000	39,500
Fleet Advantage, LLC ("Fleet")	45,000	35,000	28,000
Edgewater Technical Associates, LLC ("Edgewater")	34,600	31,400	34,000
Unify Consulting, LLC ("Unify")	12,628	28,300	11,000
Sagamore Plumbing and Heating, LLC ("Sagamore")	24,000	-	24,000
Heritage Restoration, LLC ("Heritage")	20,000	15,200	18,500
Carey Electric Contracting LLC ("Carey Electric")	14,680	16,180	15,000
Stride Consulting LLC ("Stride")	4,000	5,500	4,500
Kimco Holdings, LLC ("Kimco")	-	35,753	-
Falcon Master Holdings LLC ("FNC")	-	47,450	-
Total Investments (based in United States) - USD	815,831	806,277	806,823
Total Preferred and Debt (based in United States) - USD	724,864	708,309	711,536
Total Common (based in United States) - USD	90,967	97,968	95,287
Total Investments (based in United States) - CAD	**$ 1,105,124**	**$ 1,030,502**	**$ 1,092,922**
Amur Financial Group ("Amur")	72,200	73,200	70,000
Lower Mainland Steel Limited Partnership ("LMS")	42,232	47,722	60,564
SCR Mining and Tunneling, LP ("SCR")	28,603	33,903	40,000
Total Investments (based in Canada)	**$ 143,035**	**$ 154,825**	**$ 170,564**
Total Preferred and Debt (based in Canada)	123,235	133,425	150,564
Total Common (based in Canada)	19,800	21,400	20,000
Total Investments Pref/Debt	**1,105,135**	**1,038,714**	**1,114,411**
Total Investments Common	**143,024**	**146,613**	**149,075**
Total Investments	**$ 1,248,159**	**$ 1,185,327**	**$ 1,263,486**

Note 1 - Ohana Growth Partners, LLC, formerly know as PF Growth Partners, LLC ("PFGP")

Transactions closed in 2022

Partner	Date	Investment / Redemption	Investment Type	Contribution / (Proceeds)	Annualized Distributions
Carey Electric	05-Jan-22	Redemption - Partial	Preferred	US ($ 1,000)	US ($ 150)
BCC	11-Mar-22	Investment - Follow-on	Preferred	US $ 65,000	US $ 8,450
Kimco **(Note 1)**	01-Apr-22	Redemption - Full	Preferred	US ($ 43,656)	US ($ 4,692)
Heritage	10-May-22	Investment - Follow-on	Preferred & Common	US $ 3,500	US $ 375
Stride	29-Jun-22	Redemption - Partial	Preferred	US ($ 1,500)	US ($ 190)
Accscient	08-Aug-22	Investment - Follow-on	Preferred & Common	US $ 26,000	US $ 2,133
FNC **(Note 2)**	01-Oct-22	Redemption - Full	Preferred & Common	US ($ 51,811)	US ($ 4,816)
Sagamore	08-Nov-22	Investment - New Partner	Preferred & Common	US $ 24,000	US $ 3,000
PFGP	30-Dec-22	Investment - Follow-on	Preferred & Common	US $ 2,129	US $ 227
Unify	30-Dec-22	Redemption - Partial	Preferred	US ($ 16,554)	US ($ 2,006)
Fleet	30-Dec-22	Redemption - Partial	Preferred	US ($ 7,350)	US ($ 980)

Note 1 - On April 1, 2022, Kimco entered into a purchase and sale agreement with a third party pursuant to which Kimco redeemed all of Alaris' outstanding US$34.2 million of preferred units as well as repaid US$9.8 million of outstanding promissory notes. The gross proceeds to Alaris of US$68.2 million consisted of (i) US$43.6 million for the redemption of all of Alaris' preferred equity, (ii) the payment of US$13.7 million of previously deferred distributions owed to Alaris and (iii) the repayment of US$9.8 million of promissory notes. Alaris agreed to fund US$1.1 million of the total proceeds into an escrow account to cover potential indemnification obligations. The amounts in escrow will be recognized once released and received by Alaris.

Note 2 - On October 1, 2022, FNC entered into a purchase and sale agreement with a third party pursuant to which FNC redeemed all of Alaris' outstanding preferred and common units totaling US$40.0 million. The gross process to Alaris of US$58.4 million consisted of (i) US$51.8 million for the redemption of all Alaris' preferred and common equity and (ii) US$5.2 million of distributions owing up to the third anniversary date of the initial investment being January 7, 2021. Alaris Agreed to fund US$1.4 million of the total proceeds into an escrow account to cover potential indemnification obligations. The amounts in escrow will be recognized once released and received by Alaris.

Transactions closed in 2021

Partner	Date	Investment / Redemption	Investment Type	Contribution / (Proceeds)	Annualized Distributions
FNC	07-Jan-21	Investment - New Partner	Preferred & Common	US $ 40,000	US $ 4,501
Brown & Settle	09-Feb-21	Investment - New Partner	Preferred & Common	US $ 66,000	US $ 7,518
Accscient	18-Feb-21	Investment - Follow-on	Preferred	US $ 8,000	US $ 1,144
3E (**Note 1**)	22-Feb-21	Investment - New Partner	Preferred	US $ 30,000	US $ 4,200
Carey Electric	14-May-21	Redemption - Partial	Preferred	US ($ 1,000)	US ($ 150)
D&M	28-Jun-21	Investment - New Partner	Preferred & Common	US $ 70,000	US $ 8,750
ccComm (**Note 2**)	02-Jul-21	Redemption - Full	Preferred	US ($ 11,000)	$nil
Federal Resources	26-Oct-21	Redemption - Full	Preferred & Debt	US ($ 80,900)	US ($ 11,147)
3E	16-Nov-21	Investment - Follow-on	Preferred	US $ 9,500	US $ 1,235
D&M	03-Dec-21	Investment - Follow-on	Preferred	US $ 4,500	US $ 630
BCC	23-Dec-21	Investment - Follow-on	Preferred	US $ 25,000	US $ 3,250
GWM (**Note 3**)	29-Dec-21	Net Investment - Follow on	Pref/Debt & Common	US $ 4,200	US ($ 3,000)
Fleet	30-Dec-21	Investment - Follow-on	Preferred & Common	US $ 25,000	US $ 2,380

Note 1 - The investment in 3E on February 22, 2021 was an initial contribution of US$30.0 million; however, initially there was US$22.5 million of preferred equity and US$7.5 million placed into escrow to be funded into additional preferred units in two additional tranches once additional performance thresholds were met. These thresholds were met during the remainder of 2021 and therefore the total preferred equity investment is US$30.0 million, with an initial annualized distribution of US$4.2 million.

Note 2 - 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 $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$8.2 million for the nine months period end September 30th. For the three and nine months ended September 2021, Alaris received $nil distributions related to the investment of ccComm preferred units.

Note 3 - On December 29, 2021 Alaris received US$25.8 million for a partial redemption of preferred units and a partial repayment of outstanding subordinated indebtedness in GWM as well as contributed an additional US$30 million in exchange for minority non-voting ownership of common equity. The US$25.8 million of proceeds received from the partial redemption had an associated costs basis of US$25.0 million. As a result of this redemption annualized distributions were decreased by US$3.0 million. The investment in GWM common equity is entitled to discretionary common distributions of which are recognized when declared and distribution is received or collection is reasonably assured.

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 12.8% - 23.8%

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, 2022 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, 2022 and 2021:

Investments *($ thousands)*	**Opening Carrying Value**	**Additions**	**Redemptions**	**Foreign Exchange Adjustment**	**Fair Value Adjustment**	**Ending Carrying Value**
2022						
BCC	US $ 90,604	US $ 65,000	-	-	US $ 9,699	US $ 165,303
PFGP	99,700	2,129	-	-	(2,500)	99,329
Accscient	49,477	26,000	-	-	1,800	77,277
D&M	77,900	-	-	-	(6,100)	71,800
DNT	62,743	-	-	-	1,200	63,943
Brown & Settle	64,694	-	-	-	(800)	63,894
GWM loan receivable	62,678	-	-	-	-	62,678
GWM	43,698	-	-	-	(27,000)	16,699
3E	40,000	-	-	-	-	40,000
Fleet	35,000	-	(7,350)	-	17,350	45,000
Edgewater	31,400	-	-	-	3,200	34,600
Sagamore	-	24,000	-	-	-	24,000
Heritage	15,200	3,500	-	-	1,300	20,000
Unify	28,300	-	(16,554)	-	882	12,628
Carey Electric	16,180	-	(1,000)	-	(500)	14,680
Stride	5,500	-	(1,500)	-	-	4,000
Kimco	35,753	-	(43,671)	-	7,918	-
FNC	47,450	-	(51,812)	-	4,362	-
Total (based in US) - in USD	806,277	120,629	(121,887)	-	10,811	815,831
Total Pref/Debt (based in US) - USD	708,309	105,230	(113,478)	-	24,803	724,864
Total Common (based in US) - USD	97,968	15,399	(8,409)	-	(13,992)	90,967
Total (based in US) - CAD	**$ 1,030,502**	**$ 155,884**	**$ (161,838)**	**$ 66,356**	**$ 14,220**	**$ 1,105,124**
Amur	73,200	-	-	-	(1,000)	72,200
LMS	47,722	-	-	355	(5,845)	42,232
SCR	33,903	-	-	-	(5,300)	28,603
Total (based in Canada)	**$ 154,825**	**$ -**	**$ -**	**$ 355**	**$ (12,145)**	**$ 143,035**
Total Pref/Debt (based in Canada)	133,425	-	-	355	(10,545)	123,235
Total Common (based in Canada)	21,400	-	-	-	(1,600)	19,800
Investments - December 31, 2022	**$ 1,185,327**	**$ 155,884**	**$ (161,838)**	**$ 66,711**	**$ 2,075**	**$ 1,248,159**

Investments *($ thousands)*	**Opening Carrying Value**	**Additions**	**Redemptions**	**Foreign Exchange Adjustment**	**Fair Value Adjustment**	**Ending Carrying Value**
2021						
BCC	US $ 65,604	US $ 25,000	-	-	-	US $ 90,604
PFGP	85,500	-	-	-	14,200	99,700
D&M	-	74,500	-	-	3,400	77,900
GWM loan receivable	85,500	-	(22,822)	-	-	62,678
GWM	15,400	30,000	(2,178)	-	476	43,698
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**

Note - 2021 Total Fair Value Adjustment above excludes $0.5 million received from KMH during Q4 2021 as full and final settlement of the outstanding indebtedness owed to Alaris by Phoenix Holdings Ltd. (formerly KMH).

Distributions:

The total revenues, net of realized foreign exchange, 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:

Total Revenues:	**Year ended December 31**	
$ thousands	**2022**	**2021**
Preferred Equity and Debt Investment Distributions	$ 182,791	$ 140,166
Common Equity investments Distributions	8,092	3,294
Total Distributions	$ 190,883	$ 143,460
Interest	481	1,841
Realized gain / (loss) on derivative contracts	(1,318)	2,363
Revenues, including realized foreign exchange gain	**$ 190,046**	**$ 147,664**

During the year ended December 31, 2022, Fleet declared a common dividend to distribute excess cash to common unit holders. Prior to the dividend being declared, and due to the value of this excess cash, the fair value of Fleet common equity was increased by US$4.4 million, resulting in an unrealized gain of US$4.4 million within the year. The receipt of this distribution resulted in a realization of this previously unrealized gain. As a result, the net impact to realized and unrealized fair value investments is a net realized gain of US$4.4 million, rather than a common equity distribution included above.

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.

In the current year, the Trust was repaid in full for all outstanding promissory notes. Below is a summary of changes in promissory notes and other assets for the years ended December 31, 2022 and 2021.

Reconciliation of Promissory notes and other assets *($ thousands)*	**31-Dec-22**	**31-Dec-21**
Face Value - Opening	$ 13,555	$ 27,327
Opening provision for credit losses	-	(4,094)
Carrying value as at beginning of period	**$ 13,555**	**$ 23,233**
Additions	2,738	1,030
Repayments	(16,274)	(14,435)
Bad debt recovery / (expense)	-	4,030
Foreign exchange	(19)	(303)
Carrying value as at end of period	**$ -**	**$ 13,555**

Promissory notes and other assets	**Note**	**Carrying Value**	
($ thousands)		*31-Dec-22*	*31-Dec-21*
Kimco - promissory notes		$ -	$ 12,525
D&M		-	1,030
Heritage	*(1)*	-	-
Balance		**$**	**$ 13,555**

(1) - Unsecured subordinated promissory note with notional amount of US$2.0 million issued in July 2022, bearing interest at 8% per annum and repaid in full in December, 2022

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, 2022 the Trust had $nil (December 31, 2021 - $13.6 million) of promissory notes and other assets classified as stage 1 and $nil classified as stage 3 (December 31, 2020 - $nil). 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 was due to the reduced risk of credit losses on the Kimco accounts receivable and the Kimco promissory notes. The Kimco promissory notes were 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, 2022 is $nil (December 31, 2021 - $nil).

6. Unitholders' capital:

The Trust has authorized, issued and outstanding, 45,280,685 voting units as at December 31, 2022 (December 31, 2021 – 45,149,386).

Issued Trust Units	Number of Units	Amount ($)
	thousands	*$ thousands*
Balance at January 1, 2021	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
RTUs vested	132	2,598
Balance at December 31, 2022	**45,281**	**$ 757,220**

Outlined below are the weighted average units outstanding for the year ended December 31, 2022 and 2021:

Weighted Average Units Outstanding	Year ended December 31	
thousands	2022	2021
Weighted average units outstanding, basic	45,249	43,994
Effect of outstanding convertible debentures	4,124	4,124
Effect of outstanding RTUs	355	314
Weighted average units outstanding, fully diluted	49,728	48,432

At December 31, 2022, there were no options outstanding, all outstanding options expired within the current year. At December 31, 2021, there were 984,019 options excluded from the calculation as they were anti-dilutive.

Distributions

For the three months ended December 31, 2022, the Trust declared a quarterly distribution of $0.34 per unit, paid on January 16, 2023. The total distributions declared during the year ended December 31, 2022 were $1.33 per unit and $60.2 million in aggregate (2021 - $1.28 per unit and $57.7 million in aggregate).

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, 2022, AEP has a $450 million credit facility with a syndicate of Canadian chartered banks, which has a maturity date in September 2026 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 SOFR. Alaris realized a blended interest rate of 5.3% (inclusive of standby fees) for the year ended December 31, 2022.

At December 31, 2022, AEP had US$161.75 million (total CA$219.1 million) drawn on its credit facility (December 31, 2021 – US$256.8 million or CA$328.2 million). The amount recorded in the Trust's statement of financial position of $216.1 million is reduced by the unamortized debt amendment and extension fees of $3.0 million.

During the year ended December 31, 2022, Alaris completed an amendment to its credit facility with its senior lenders. The amendment increased the base of the credit facility from $400 million to $450 million and included the addition of an eighth bank to the syndicate. The amendment also extended the facility maturity from November 2023 to September 2026 and increased the minimum tangible net worth covenant from $450 million to $550 million.

At December 31, 2022, 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 1.42x at December 31, 2022); minimum fixed charge coverage ratio of 1:1 (actual ratio is 2.20x at December 31, 2022); and a minimum tangible net worth of $550.0 million (actual amount is $898.3million at December 31, 2022).

8. **Convertible and senior unsecured debentures:**

The Trust has convertible unsecured subordinated debentures ("Convertible 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 Convertible 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 Convertible 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 Convertible debentures.

On and after June 30, 2022 and prior to June 30, 2023, the Convertible 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 Convertible 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)*		**Total**
Balance at January 1, 2021	$	86,029
Accretion		3,563
Balance at December 31, 2021	$	89,592
Accretion		3,854
Balance at December 31, 2022	**$**	**93,446**

During the year ended December 31, 2022, the Trust issued $65.0 million aggregate principal amount of senior unsecured debentures (“Senior debentures”) at a price of $1,000 per Senior debenture and an interest rate of 6.25% per annum, payable semi-annually on the last business day of March and September which commenced March 31, 2022 with a maturity date of March 31, 2027.

The Senior debentures will not be redeemable by the Trust before March 31, 2025 (the “First Call Date”). On and after the First Call Date and prior to March 31, 2026, the Senior debentures will be redeemable, in whole or in part at the Trust’s option at a redemption price equal to 103.125% of the principal amount of the Senior debentures redeemed plus accrued and unpaid interest, if any. On and after March 31, 2026 and prior to the Maturity Date, the Senior debentures will be redeemable, in whole or in part at the Trust’s option at par plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. The Trust has the option to satisfy its obligations to repay the principal amount of and premium (if any) on the Senior debentures due at redemption or on maturity by issuing and delivering the appropriate number of freely tradeable trust units of the Trust to Senior debenture holders.

Senior Unsecured Debenture *($ thousands)*	**Total**
Balance at January 1, 2022	-
Face value of issuance	65,000
Issuance costs	(2,808)
Accretion expense	421
Balance at December 31, 2022	**$ 62,613**

The Trust recorded $2.8 million in issuance costs which will be amortized using the effective interest rate method over the five-year term of the Senior debentures.

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 Trustees to grant awards of Restricted Trust Units (“RTUs”) and Unit Options (“Options”). During the year ended December 31, 2022, all outstanding Options expired and the Trust no longer participates in the Unit Option Plan. The Restricted Trust Unit Plan can grant awards to a maximum of 2.5% 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 1,132,025 and issued 354,963 RTUs to management and Trustees as of December 31, 2022. The RTUs issued to Trustees (97,165) vest over a three-year period. The RTUs issued to management (257,798) are a combination of time vested units (146,664) and performance vested units (111,134). The time vested units do not vest until the end of a three-year period (53,300 in 2023, 47,092 in 2024 and 46,272 in 2025). The performance vested units vest one third every year (56,738 in 2023, 38,972 in 2024 and 15,424 in 2025) 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, 2022 and based on the remaining time left until vesting for each tranche of units. At December 31, 2022, the total liability related to the RTU is $3.7 million, $2.5 million of which is included in Accounts payable and accrued liabilities and $1.2 million in Other long-term liabilities.

The Trust had reserved and issued 984,019 options at December 31, 2021. In the current year, all options outstanding expired and as of December 31, 2022, the Trust has nil options outstanding. The options outstanding at December 31, 2021 had an exercise price in the range of $20.60 to $22.47, a weighted average exercise price of $21.55 and a weighted average contractual life of 0.40 years.

The following table summarizes a continuity of RTUs and Options outstanding in 2022 and 2021:

RTUs and Options	RTUs	Options
Number of Units		
Balance at January 1, 2021	361,518	984,019
Issued	196,115	-
Vested or exercise	(243,612)	-
Balance at December 31, 2021	314,021	984,019
Issued	187,373	-
Vested or exercise	(131,299)	-
Forfeited / expired	(15,132)	(984,019)
Balance at December 31, 2022	**354,963**	-

10. Income taxes:

The statutory tax rate for the year ended December 31, 2022 was 48% which is the top marginal tax rate of the Trust (December 31, 2021 – 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	2022	2021
Earnings before income taxes	$ 154,956	$ 166,045
Combined federal and provincial statutory income tax rate	48.00%	48.00%
Expected income tax provision	$ 74,379	$ 79,702
Loss of the Trust	(32,791)	(20,118)
Canadian and Foreign corporate rate differences	(21,681)	(30,190)
Expected income tax provision after rate differences	19,907	29,394
Non-taxable portion of capital gains	3,266	481
Non-deductible interest	-	(7,199)
Non-deductible expenses, rate change and other	(1,591)	(820)
Change in unrecognized deferred tax assets	2,698	(55)
Balance at end of year	**$ 24,280**	**$ 21,801**

During the year, the Trust's subsidiaries paid taxes of $4.6 million and received refunds of $7.7 million. In 2021 the Trust's subsidiaries paid taxes of $15.4 million and received refunds of $1.1 million.

The Trust's subsidiaries currently have US$9.5 million (2021 - US$73.3 million) of non-capital losses in the United States that can be carried forward indefinitely and $5.7 million (2021 - $nil) of non-capital losses in Canada that expire in 2042.

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:	2022	2021
Preferred partnership units	$ (68,384)	$ (63,069)
Share issue costs	372	622
Convertible debentures	(1,710)	(2,682)
Disallowed interest and net capital losses	302	-
Foreign exchange on loan payable	1,262	(247)
Distributions to be taxed in future years	(215)	(17)
Unrecognized Deferred Tax Asset	(3,631)	(932)
Non-capital losses, other	4,618	22,422
Balance at end of year	**$ (67,386)**	**$ (43,903)**

Movement in deferred tax balances during the year	Deferred Income Taxes
Balance at January 1, 2021	**$ (16,112)**
Recognized in profit and loss	(27,483)
Currency translation and other	(308)
Balance at December 31, 2021	**(43,903)**
Recognized in profit and loss	(20,310)
Currency translation and other	(3,173)
Balance at December 31, 2022	**$ (67,386)**

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 2020 taxation years to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures ("SRED") and investment tax credits ("ITCs"). Pursuant to the Reassessments, the deduction of approximately $121.2 million of non-capital losses and SRED expenditures and utilization of $9.9 million in ITCs by the Trust were denied, resulting in reassessed taxes and interest of approximately $61 million (2021 - $61 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 SRED expenditures 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 to the Alberta Treasury for amounts reassessed for the 2013 taxation year and onwards. The Trust has paid a total of $25 million (2021 - $25 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 and are included in Other long-term assets.

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, 2022.

Alaris has entered into insurance contracts to mitigate the risk presented by the above-noted matter, although there can be no assurance that all the amounts for which Alaris may ultimately be liable will be fully covered. The premiums in respect of the insurance contracts are fully paid and will be amortized on a straight-line basis over the term of the insurance contracts.

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, 2022 and December 31, 2021, 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 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, 2022.

Fair value classification *($ thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
31-Dec-22				
Net Derivative contracts	$ -	$ (34)	$ -	$ (34)
Investments	-	-	1,248,159	1,248,159
Total at December 31, 2022	**$ -**	**($ 34)**	**$ 1,248,159**	**$ 1,248,125**
31-Dec-21	**Level 1**	**Level 2**	**Level 3**	**Total**
Net Derivative contracts	$ -	$ 71	$ -	$ 71
Investments	-	-	1,185,327	1,185,327
Total at December 31, 2021	**$ -**	**$ 71**	**$ 1,185,327**	**$ 1,185,398**

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$58.1 million as at December 31, 2022 (US$51.9 million as at December 31, 2021). At December 31, 2022, Alaris holds three interest rate swap contracts. There is an interest rate swap that allows for a fixed interest rate of 0.35% instead of SOFR ("Secured Overnight Financing Rate") on US$25.0 million of debt, and an interest rate swap that allows for a fixed interest rate of 0.74% instead of SOFR on US$50.0 million of debt, both with an expiry in June 2023. Alaris also has an interest rate swap that allows for a fixed interest rate of 2.99% instead of SOFR on US$50.0 million of debt that begins in July 2023 and that has an expiry date in July 2026.

Forward exchange rate contracts and the interest rate swaps included in the above table are presented on the statement of financial position as current or non-current based on the derivatives expected recognition or the contractual maturity. Current amounts are presented as derivative contract assets or liabilities and non-current amounts are included in Other long-term assets or liabilities.

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 12.8% to 23.8%. If the discount rate increased (decreased) by 1%, the fair value of Level 3 investments at December 31, 2022 would decrease by $96.1 million and increase by $112.7 million. If the terminal value growth rate increased (decreased) by 1%, the fair value of Level 3 investments would increase by $61.2 million and decrease by $51.8 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 $9.0 million and decrease by $8.9 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 $4.4 million and decrease by $4.4 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 $1.3 million and decrease by $1.3 million.

12. Commitments and contingencies:

Alaris has a commitment to an additional contribution of US$1.4 million to PFGP, the timing of the additional funding is unknown at this time as the commitment requires certain conditions to be met.

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 associated with this claim 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)*	**2022**	**2021**
Base salaries and benefits	$ 1,528	$ 1,600
Bonus	2,440	751
Unit-based compensation	1,125	3,232
Total for year ended December 31	**$ 5,093**	**$ 5,583**

14. Subsequent events:

Strategic Investment with Brookfield Special Investments ("Brookfield") in BCC

On February 14th, 2023, Alaris completed a strategic transaction involving current Partner BCC and co-sponsor Brookfield, through its Special Investment program. The transaction included Alaris exchanging US$145.0 million of its existing preferred units in BCC for newly issued convertible preferred units and receiving cash proceeds of US$20.3 million on the redemption of its remaining existing preferred units. The new convertible preferred units are entitled to an 8.5% Distribution payable in cash or in-kind, and are convertible at the option of the holder, for a period of up to five years, into common equity of BCC at a predetermined valuation. These units also participate in any common distribution paid above 8.5%. As with all our common distributions, these amounts are paid when declared as cashflow permits. In addition, Alaris will be entitled to an annual transaction fee of US$1.5 million payable quarterly. At the discretion of BCC, the new preferred distribution may be satisfied by payment in-kind. If the distribution is satisfied by a payment in-kind, then (i) the conversion price shall be adjusted and (ii) a pro rata portion of the quarterly transaction fee will be deferred until an exit event.

Alaris' initial cost on the existing preferred units was US$156.0 million, resulting in a realized gain of US$9.3 million on redemption and conversion of all outstanding existing preferred units in BCC.