Unaudited Condensed Consolidated Interim

Financial Statements of

ALARIS EQUITY PARTNERS INCOME TRUST

For the three and nine months ended September 30, 2020 and 2019

Alaris Equity Partners Income Trust

Condensed consolidated interim statements of financial position (unaudited)

$ thousands	Note	30-Sep 2020	31-Dec 2019
Assets			
Cash and cash equivalents		$ 16,731	$ 17,104
Prepayments		1,065	1,509
Derivative contracts	10	-	555
Trade and other receivables	4	9,713	1,226
Income taxes receivable		8,560	4,205
Investment tax credit receivable	9, 13	-	1,032
Assets acquired held for sale	4	-	97,173
Promissory notes receivable	4	5,796	6,580
Current Assets		$ 41,865	$ 129,384
Promissory notes and other receivables	4	20,135	19,663
Deposits	9	20,206	20,206
Property and equipment		891	1,053
Investments	4	751,593	881,037
Investment tax credit receivable	9, 13	-	2,243
Deferred income taxes	9	-	986
Non-current assets		$ 792,825	$ 925,188
Total Assets		**$ 834,690**	**$ 1,054,572**
Liabilities			
Accounts payable and accrued liabilities	8, 13	$ 5,859	$ 2,713
Distributions payable		11,031	5,047
Derivative contracts	10	950	-
Liabilities acquired held for sale	4	-	60,297
Office Lease		701	837
Income tax payable		495	384
Current Liabilities		$ 19,036	$ 69,278
Deferred income taxes	9	6,203	4,715
Loans and borrowings	6	168,863	285,193
Convertible debenture	7, 13	81,783	90,939
Other long-term liabilities	7, 8, 13	2,796	-
Non-current liabilities		$ 259,645	$ 380,847
Total Liabilities		**$ 278,681**	**$ 450,125**
Equity			
Unitholders' capital	5	$ 615,794	$ 625,313
Equity component of convertible debenture	7, 13	-	4,059
Equity reserve	8, 13	15,715	14,763
Translation reserve		28,284	17,076
Retained earnings / (deficit)		(103,784)	(56,764)
Total Equity		**$ 556,009**	**$ 604,447**
Total Liabilities and Equity		**$ 834,690**	**$ 1,054,572**
Commitments and contingencies	4, 11		
Subsequent events	4, 6, 14		

Alaris Equity Partners Income Trust

Condensed consolidated interim statements of comprehensive income / (loss) (unaudited)

$ thousands except per unit amounts	Note	Three months ended September 30 2020	Three months ended September 30 2019	Nine months ended September 30 2020	Nine months ended September 30 2019
Revenues, net of realized foreign exchange gain or loss	4	23,421	29,935	$ 77,595	$ 83,946
Net realized gain from investments	4	-	9,317	11,603	9,317
Net unrealized gain / (loss) of investments at fair value	4	11,885	(9,357)	(76,257)	(5,162)
Total revenue and other operating income		**$ 35,306**	**$ 29,895**	**$ 12,941**	**$ 88,101**
Salaries and benefits		762	785	2,347	2,437
Corporate and office		567	614	1,619	2,266
Legal and accounting fees		2,275	765	6,123	2,377
General and administrative		3,604	2,164	10,089	7,080
Transaction diligence costs		1,076	1,122	4,011	2,129
Unit-based compensation	8, 13	66	1,974	1,689	3,227
Bad debt expense / (recovery)	4	-	-	-	(2,018)
Depreciation and amortization		50	165	169	495
Total operating expenses		4,796	5,425	15,958	10,913
Earnings / (loss) from operations		**30,510**	**24,470**	**$ (3,017)**	**$ 77,188**
Finance costs	6, 7	4,269	5,813	13,331	13,880
Unrealized (gain) / loss on foreign exchange		1,542	(1,966)	(4,721)	4,351
Non-cash impact of trust conversion	7, 13	(10,647)	-	(10,647)	-
Earnings / (loss) before taxes		**$ 35,346**	**$ 20,623**	**$ (980)**	**$ 58,957**
Current income tax expense	9	1,619	1,016	3,890	6,333
Deferred income tax expense / (recovery)	9, 13	5,156	(1,277)	5,686	(1,488)
Total income tax expense / (recovery)		6,775	(261)	9,576	4,845
Earnings / (loss)		**$ 28,571**	**$ 20,884**	**$ (10,556)**	**$ 54,112**
Other comprehensive income					
Foreign currency translation differences		(6,600)	4,297	11,208	(10,545)
Other comprehensive income / (loss)		(6,600)	4,297	11,208	(10,545)
Total comprehensive income		**$ 21,971**	**$ 25,181**	**$ 652**	**$ 43,567**
Earnings / (loss) per unit					
Basic		$ 0.80	$ 0.57	$ (0.29)	$ 1.48
Fully diluted		$ 0.79	$ 0.57	$ (0.29)	$ 1.47
Weighted average units outstanding					
Basic	5	35,584	36,647	36,003	36,567
Fully Diluted	5	35,976	36,938	36,395	36,858

Alaris Equity Partners Income Trust
Condensed consolidated interim statement of changes in equity (unaudited)
For the nine months ended September 30, 2019

$ thousands	Notes	Unitholders' Capital	Convertible Debenture	Equity Reserve	Translation Reserve	Retained Earnings / (Deficit)	Total Equity
Balance at January 1, 2019		$ 621,082	$ -	$ 14,679	$ 32,725	$ (32,621)	$ 635,865
Earnings for the period		-		-	-	54,112	54,112
Other comprehensive income / (loss)							
Foreign currency translation differences		-		-	(10,545)	-	(10,545)
Total comprehensive income / (loss) for the period		$ -	$ -	$ -	$ (10,545)	$ 54,112	$ 43,567
Transactions with unitholders, recognized directly in equity							
Unit based compensation	8	$ -	$ -	$ 3,227	$ -	$ -	$ 3,227
Distributions to unitholders	5	-	-	-	-	(45,265)	(45,265)
Equity component of convertible debenture	7	-	4,059	-	-	-	4,059
Units issued pursuant to RSU vesting in the year		3,292	-	(3,292)	-	-	-
Total transactions with Unitholders		$ 3,292	$ 4,059	$ (65)	$ -	$ (45,265)	$ (37,979)
Balance at September 30, 2019		**$ 624,374**	**$ 4,059**	**$ 14,614**	**$ 22,180**	**$ (23,774)**	**$ 641,453**

Alaris Equity Partners Income Trust
Condensed consolidated interim statement of changes in equity (unaudited)
For the nine months ended September 30, 2020

$ thousands	Notes	Unitholders' Capital	Convertible Debenture	Equity Reserve	Translation Reserve	Retained Earnings / (Deficit)	Total Equity
Balance at January 1, 2020		$ 625,313	$ 4,059	$ 14,763	$ 17,076	$ (56,764)	$ 604,447
Earnings / (loss) for the period		-	-	-	-	(10,556)	(10,556)
Other comprehensive loss							
Foreign currency translation differences		-	-	-	11,208	-	11,208
Total comprehensive income / (loss) for the period		$ -	$ -	$ -	$ 11,208	$ (10,556)	$ 652
Transactions with unitholders, recognized directly in equity							
Unit based compensation, prior to trust conversion	8, 13	$ -	$ -	$ 2,067	$ -	$ -	$ 2,067
Distributions to unitholders	5	-	-	-	-	(36,464)	(36,464)
Equity component of convertible debenture	7, 13	-	(4,059)	3,978	-	-	(81)
Reclassification of unit-based compensation in equity reserve	8, 13	-	-	(4,561)	-	-	(4,561)
Trust units repurchased under the NCIB	5	(10,051)	-	-	-	-	(10,051)
Units issued under RSU plan	5	532	-	(532)	-	-	-
Total transactions with Unitholders		$ (9,519)	$ (4,059)	$ 952	$ -	$ (36,464)	$ (49,090)
Balance at September 30, 2020		**$ 615,794**	**$ -**	**$ 15,715**	**$ 28,284**	**$ (103,784)**	**$ 556,009**

Alaris Equity Partners Income Trust
Condensed consolidated interim statements of cash flows (unaudited)

$ thousands	Notes	Nine months ended September 30 2020	2019
Cash flows from operating activities			
Earnings / (loss) for the period		$ (10,556)	$ 54,112
Adjustments for:			
Finance costs	6, 7	13,331	13,880
Deferred income tax expense / (recovery)		5,686	(1,488)
Depreciation and amortization		169	495
Net realized gain from investments	4	(11,603)	(9,317)
Net unrealized (gain) / loss of investments at fair value	4	76,257	5,162
Unrealized (gain) / loss on foreign exchange		(4,721)	4,351
Non-cash impact of trust conversion	13	(10,647)	-
Transaction diligence costs		4,011	2,129
Unit-based compensation	8, 13	1,689	3,227
Changes in working capital (operating):			
- trade and other receivables	4	236	(2,145)
- income tax receivable / payable		(4,244)	(1,937)
- prepayments		444	868
- accounts payable, accrued liabilities		(5)	(1,096)
Cash generated from operating activities		$ 60,047	$ 68,241
Cash interest paid	6	(9,835)	(11,151)
Net cash from operating activities		$ 50,212	$ 57,090
Cash flows from investing activities			
Acquisition of investments	4	$ (28,178)	$ (170,298)
Transaction diligence costs		(4,011)	(2,129)
Proceeds from partner redemptions	4	111,306	20,089
Proceeds on disposal of assets and liabilities held for sale	4	39,196	-
Promissory notes issued	4	-	(8,877)
Promissory notes repaid	4	784	3,465
Changes in working capital - investing	4	(8,723)	-
Net cash from / (used in) investing activities		$ 110,374	$ (157,750)
Cash flows from financing activities			
Repayment of loans and borrowings	6	$ (181,077)	$ (68,030)
Proceeds from loans and borrowings	6	64,225	111,882
Proceeds from convertible debenture, net of fees	7	-	95,527
Distributions paid	5	(30,480)	(45,236)
Trust unit repurchases	5	(10,051)	-
Office lease payments		(136)	(418)
Net cash from / (used in) financing activities		$ (157,519)	$ 93,725
Net increase / (decrease) in cash and cash equivalents		$ 3,067	$ (6,935)
Impact of foreign exchange on cash balances		(3,440)	(973)
Cash and cash equivalents, Beginning of period		17,104	22,774
Cash and cash equivalents, End of period		$ 16,731	$ 14,866
Cash taxes paid		$ 8,204	$ 8,253

1. Reporting entity:

Alaris Equity Partners Income Trust is a company domiciled in Calgary, Alberta, Canada. The condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2020 and 2019 are comprised of Alaris Equity Partners Income Trust and its subsidiaries (together referred to as "Alaris" or the "Trust"). The Trust's Canadian investments are made through a wholly-owned Canadian corporation, Alaris Equity Partners Inc. ("AEP", formerly known as Alaris Royalty Corp.) and its American investments are made through two Delaware corporations, Alaris Equity Partners USA Inc. ("Alaris USA") and Salaris USA Royalty Inc. ("Salaris USA"). The Trust's operations consist primarily of investments in private operating entities, typically in the form of preferred or common limited partnership interests, preferred or common interest in limited liability corporations in the United States, and loans receivable. The Trust also has a wholly-owned subsidiary in the Netherlands, Alaris Cooperatief U.A. ("Alaris Cooperatief").

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

New accounting policies were adopted on the re-organization to reflect the new structure. These new accounting policies are described in Note 3. In addition, adjustments to reflect these new accounting policies were recorded as of September 1, 2020 and included adjustments to income tax balances and equity-based awards and instruments. Please refer to notes 7, 8, 9 and 13 for additional information.

2. Statement of compliance:

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 and do not include all of the disclosures required for full annual financial statements and should be read in conjunction with the 2019 consolidated annual financial statements.

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

These condensed consolidated interim financial statements were approved by the Board of Directors on November 5, 2020.

(b) Basis of measurement

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

- Investments classified as fair value through profit or loss ("Investments at Fair Value") are measured at fair value with changes in fair value recorded in earnings (see note 4).
- Derivative financial instruments are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the condensed consolidated interim 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:

Key judgments

A key judgment relates to the consideration of control, joint control and significant influence in each of our investments. Through subsidiaries, the Trust has agreements with various private businesses to whom it invests capital into (collectively the "**Partners**") and these agreements include not only clauses as to distributions but also various protective rights. The Trust has assessed these rights under IFRS 10 and 11 and determined that consolidation is not appropriate. In a number of our investments we have protective rights, which provides the Trust the right to demand repayment of our investment if it is in default of the terms of our operating agreement. Failure to satisfy the demand for repayment can lead to the Trust's rights to allow it to control the investment.

Key estimates used in discounted cash flow projections

Key assumptions used in the discounted cash flow projections include the discount rate, terminal 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, earnings and earnings multiples underlying each business.

For the period ended September 30, 2020 and as discussed further in Note 4, the Trust has used estimates and judgments related to the impact that the novel coronavirus disease 2019 ("COVID-19") has had and is expected to have on its Partners in the determination of the fair value of the investments at September 30, 2020. These estimates are based on the information available to the Trust to the date of the financial statements. The situation remains fluid and certain impacts to our Partner's businesses continue to remain unknown and may reasonably result in future adjustments to our fair value assumptions within the next twelve months. Refer to Note 4 for further details on these key estimates and the impact on the Investments at Fair Value at September 30, 2020.

Collectability of financial assets at amortized cost

Management makes estimates of expected credit losses (ECLs) on its financial assets measured at amortized cost. ECL's are a probability weighted estimate of credit losses. Management makes estimates on the timing and availability of cash flows from its Partners to pay for amounts that are past due. These estimates are generally based on a combination of the relevant Partners' most recently available financial information and past performance, and information on security values.

Income taxes

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

3. Significant accounting policies:

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Trust's consolidated financial statements as at and for the year ended December 31, 2019, except as noted below:

a) Trust units

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.

b) Unit based compensation

The Trust has two unit-based compensation plans, a unit option plan and a restricted share 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 as per Note 3(a)) upon conversion of the unit options and restricted units.

Holders of units granted under the restricted unit plans receive distributions in the form of additional units when the Trust declares distributions on its Trust units. The additional units are recognized as compensation expense.

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.

c) Convertible debenture

The Trust has convertible unsecured subordinated debentures that are convertible at the holder's option. The entire instrument is considered a financial liability, as there is a contractual obligation for the Trust to deliver Trust units (which are accounted for as liabilities but presented as equity instruments under IAS 32 as per Note 3(a)) upon conversion.

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"). Fair value changes are recorded in Fair value adjustments to convertible debentures. The liability portion of the conversion feature is included in Other long-term liabilities.

4. Investments

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

Investments at Fair Value & Amortized Cost *$ thousands*	**Carrying Value**		**Acquisition Cost**
As at	**30-Sep-20**	**31-Dec-19**	**30-Sep-20**
Federal Resources Supply Company ("FED")	US $ 73,524	US $ 73,524	US $ 67,000
PF Growth Partners, LLC ("PFGP")	US 67,556	US 72,312	US 75,156
DNT Construction, LLC ("DNT")	US 65,443	US 68,943	US 67,800
Body Contour Centers, LLC ("BCC")	US 45,604	US 46,904	US 46,000
GWM Loan Receivable at amortized cost	US 41,500	US 41,500	US 41,500
Accscient, LLC ("Accscient")	US 36,577	US 38,277	US 38,000
Unify Consulting, LLC ("Unify")	US 25,700	US 25,000	US 25,000
Kimco Holdings, LLC ("Kimco")	US 20,232	US 11,332	US 34,200
Carey Electric Contracting LLC ("Carey Electric")	US 16,100	-	US 16,100
Heritage Restoration, LLC ("Heritage")	US 15,200	US 16,200	US 15,000
PF Growth Partners, LLC ("PFGP Common Equity")	US 15,144	US 16,687	US 17,344
Fleet Advantage, LLC ("Fleet")	US 10,800	US 10,400	US 10,000
Stride Consulting LLC ("Stride")	US 6,000	US 6,000	US 6,000
GWM Holdings, Inc ("GWM")	US 4,400	US 7,600	US 4,500
ccCommunications LLC ("ccComm")	US 3,827	US 14,827	US 19,200
Carey Electric Contracting LLC ("Carey Electric Common")	US 900	-	US 900
Providence Industries, LLC ("Providence")	-	US 22,941	US 30,000
Sales Benchmark Index LLC ("SBI")	-	US 84,240	-
Total Investments (based in United States) - USD	US $ 448,507	US $ 556,687	US $ 513,700
Total Investments (based in United States) - CAD	$ 600,192	$ 727,480	$ 687,433
Lower Mainland Steel Limited Partnership ("LMS")	51,898	49,054	60,564
Amur Financial Group ("Amur")	47,300	50,000	50,000
SCR Mining and Tunneling, LP ("SCR")	34,503	34,503	40,000
Amur Financial Group ("Amur Common Equity")	17,700	20,000	20,000
Total Investments (based in Canada)	$ 151,401	$ 153,557	$ 170,564
Total Investments	**$ 751,593**	**$ 881,037**	**$ 857,997**

Transactions closed in 2020

Redemption of SBI

On January 7, 2020, SBI entered into a purchase and sale agreement with a third party pursuant to which SBI redeemed all of Alaris' outstanding US$75.0 million of preferred units. The gross proceeds on the redemption to Alaris were US$91.3 million, which consisted of US$84.3 million for the preferred units (inclusive of a US$9.3 million premium) as well as US$7.0 million of distributions for the amounts owed up to the third anniversary date of Alaris' initial investment, being August 31, 2020. These distributions were previously unaccrued and were therefore included as revenue in the nine months ended September 30, 2020. The gain on redemption had been previously recorded as increases to the investment at fair value over time; however, during the nine months ended September 30, 2020 the Trust reclassified this gain from gains and losses of investments at fair value to realized gain from investments.

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

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

As at December 31, 2019, this investment was classified as assets and liabilities held for sale on Alaris' statement of financial position.

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

Subsequent to closing of the sale described above, AEP received a direct claim and protest notice (the "Notices") from the purchasers for amounts under the indemnification and working capital adjustment provisions. Due to uncertainties in the timing and collection of the sale proceeds that are subject to the indemnity and working capital adjustment escrows, Alaris did not and has not recognized the amounts being held in escrow or any other contingent amounts in the financial statements. As previously disclosed, the purchaser has advanced the allegations in the Notices by way of serving Alaris with a complaint (the "Complaint"). The Complaint furthers the allegations in the Notices and makes claims against AEP and certain of its representatives for fraud and breach of some of the representations and warranties of the purchase and sale agreement and alleges damages of approximately US$37.2 million. AEP and the Trust believe the claims within the Complaint are without merit and intends to vigorously defend the case. The Trust will respond to the Complaint in due course and is actively evaluating the possibility of lodging counterclaims in the matter.

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

PFGP Additional Contributions

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

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

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

4. Investments (continued):

Assumptions used in fair value calculations:

Alaris recognizes that the determination of fair value of its investments at fair value becomes more judgmental the longer the investment is held. The price Alaris pays for its investments is fair value at that time. 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 expected 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 of the underlying business. Key assumptions used in the valuation of the preferred equity investments include the discount rate, terminal 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, earnings and earnings multiples underlying each business. 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 factors including what industry they operate in, the size of the company, 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 the Trust's publicly traded units and of other similar public companies. Cash flows have been discounted at rates ranging from 12.5% - 19.5%.

For the period ended September 30, 2020, the Trust has made estimates of the impact of the COVID-19 pandemic as it relates to each Partner's business in determining the fair value of each investment. Assumptions that were assessed and adjusted, where required, for each Partner included:

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

These assumptions will be refined each reporting period as new information is obtained and may continue to require future adjustment to the fair value of the investments. All assumptions made at September 30, 2020 are based on the information available to the Trust as of the date of these financial statements. Refer to Note 10 for additional information, including sensitivity analyses to these inputs.

Distributions:

The Trust recorded distribution revenue, interest and realized gain/losses on foreign exchange contracts as follows:

Partner Distributions:	**Three months ended September 30**		**Nine months ended September 30**	
$ thousands	**2020**	**2019**	**2020**	**2019**
DNT	$ 3,887	$ 3,716	$ 11,612	$ 11,226
FED	3,556	3,634	10,895	11,127
BCC	2,251	2,126	4,410	6,421
GWM	2,008	1,842	6,118	5,564
LMS	1,861	1,369	5,594	4,159
Accscient	1,857	1,840	5,659	5,516
Amur	1,626	1,628	4,875	1,788
Kimco	1,192	-	1,192	-
Unify	1,083	637	3,300	1,923
SCR	1,050	600	3,050	1,500
Heritage	838	791	2,576	2,365
Carey Electric	797	-	924	-
Fleet	538	516	1,505	1,917
Stride	280	-	853	-
Amur Common Equity	55	355	405	355
PFGP	-	2,781	2,696	5,229
Providence	-	772	514	3,127
ccComm	-	775	294	2,339
SBI	-	3,475	9,176	11,174
Sandbox	-	1,983	-	5,963
Total Distributions	$ 22,879	$ 28,840	$ 75,648	$ 81,693
Interest	556	1,185	2,147	3,391
Realized gain / (loss) on derivative contracts	(14)	(90)	(200)	(1,138)
Revenues, net of realized foreign exchange gain or loss	**$ 23,421**	**$ 29,935**	**$ 77,595**	**$ 83,946**

The total revenues, net of realized foreign exchange gain or loss, includes the total distributions received and accrued from Partners, interest income received and accrued from Partners on outstanding promissory notes and the realized gain or loss on derivative contracts.

Included in the $9.7 million Trade and other receivables balance at September 30, 2020 is a deposit of US$6.5 million (CAD $8.7 million) that was received subsequent to quarter end. This deposit was part of the total US$11.5 million that was advanced by a wholly-owned subsidiary of the Trust during July 2020 as part of an agreement with a third-party supplier and FED to purchase personal protective equipment. This order was part of a larger order that included the sourcing and sale of over 4.5 billion medical grade nitrile gloves which would be distributed to the U.S. Government. Shortly after the deposit was advanced the sourcing arrangement was unable to be fulfilled due to constraints in the available supply of medical grade nitrile gloves and has since been terminated. As of September 30, 2020, US$5.0 million of the total deposit of US$11.5 million had been returned to Alaris with the remaining US$6.5 million received subsequent to quarter end.

Promissory Notes and Other Receivables:

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.

The differences between the carrying value and face value is due to the timing and uncertainty surrounding the collection of cash flows. Alaris will continue to pursue recovery of the full face value for all outstanding promissory notes. Below is a summary of changes in promissory notes and other receivables for the nine months ended September 30, 2020.

Reconciliation of Promissory Notes and Other Receivables *($ thousands)*	**Nine months ended**
	30-Sep-20
Face Value - Opening	$ 39,157
Opening provision for credit losses	12,914
Carrying value as at beginning of period	**$ 26,243**
Repayments	(784)
Foreign exchange	472
Carrying value as at end of period	**$ 25,931**
Promissory notes & other receivables - current	$ 5,796
Promissory notes & other receivables - non-current	$ 20,135

Alaris has the following promissory notes and other receivables outstanding as of September 30, 2020:

Promissory Notes and Other Receivables by Partner	**Note**	**Carrying Value**	
($ thousands)		*30-Sep-20*	*31-Dec-19*
Lower Mainland Steel	*(1)*	$ 5,000	$ 5,000
Group SM	*(2)*	796	1,580
Kimco - long-term accounts receivable	*(3)*	2,443	2,381
Kimco	*(4)*	17,692	17,282
Balance		**$ 25,931**	**$ 26,243**

(1) - unsecured short-term note bearing interest of 12% per annum

(2) - short-term subordinated note secured against outstanding accounts receivable. The note bears interest of 7% per annum. The Trust received an additional $0.6 million subsequent to September 30, 2020.

(3) - unpaid distributions reclassified to long-term accounts receivable in 2016, discounted based on recoverability. Non-interest bearing and the carrying value reflects an expectation to receive the notional amount over a five year period.

(4) - unsecured long-term promissory notes with notional amounts of US$7.8 million (bearing interest at 8% per annum) and US$6.0 million (bearing interest at 12% per annum)

The expected credit loss model classifies Alaris' outstanding promissory notes and other receivables 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 September 30, 2020 the Trust had $23.5 million (December 31, 2019 - $23.8 million) of promissory notes and other receivables classified as stage 1 and $2.4 million classified as stage 3 (December 31, 2019 - $2.4 million). There was no transfer between stages during the nine months ended September 30, 2020, the only change to the opening provision for credit losses is due to foreign exchange. The cumulative total credit loss provision as at September 30, 2020 is $12.9 million (December 31, 2019 - $13.2 million).

5. Unitholders' capital:

The Trust has authorized, issued and outstanding, 35,583,883 voting units as at September 30, 2020 (December 31, 2019 – 36,709,081). Refer to Note 1 for details relating to the income trust conversion that occurred on September 1, 2020. There was no change to the total authorized, issued and outstanding units as a result of the conversion to an income trust.

Issued Trust Units	Number of Units	Amount ($)
	thousands	*$ thousands*
Balance at December 31, 2018	36,496	$ 621,082
RSUs vested	213	4,231
Balance at December 31, 2019	36,709	$ 625,313
RSUs vested	32	532
Trust units repurchased under the NCIB	(1,157)	(10,051)
Balance at September 30, 2020	**35,584**	**$ 615,794**

Outlined below are the weighted average units outstanding for the three and nine months ended September 30, 2020 and 2019, respectively.

Weighted Average Units Outstanding	Three months ended September 30		Nine months ended September 30	
thousands	2020	2019	2020	2019
Weighted average units outstanding, basic	35,584	36,647	36,003	36,567
Effect of outstanding RSUs	392	291	392	291
Weighted average units outstanding, fully diluted	35,976	36,938	36,395	36,858

There were 984,019 and 1,433,866 options excluded from the calculation as they were anti-dilutive at September 30, 2020 and September 30, 2019, respectively.

Distributions

Upon conversion to an income trust, the previously used term of dividends has changed to distributions. For the three months ended September 30, 2020, the Trust declared a quarterly distribution of $0.31 per unit, paid on October 15, 2020. The total distributions declared during the nine months ended September 30, 2020 were $1.0125 per unit and $36.5 million in aggregate (2019 - $1.2375 per share and $45.3 million in aggregate).

Normal Course Issuer Bid

On March 20, 2020, the Trust announced that it had received approval from the Toronto Stock Exchange ("TSX") to establish a normal course issuer bid ("NCIB") program. Under the NCIB, the Trust may purchase for cancellation up to 3,473,720 trust units (formerly, common shares). The NCIB represents approximately 10% of the Trust's public float of its issued and outstanding shares as at March 19, 2020. The program commenced on March 24, 2020 and will remain in effect until March 23, 2021 or such earlier time as the NCIB is completed or terminated at the option of the Trust.

During the nine months ended September 30, 2020, the Trust purchased 1,156,541 units for cancellation for a total cost, including transaction costs, of $10.1 million under the NCIB. The weighted-average price of the units repurchased was $8.69 per unit.

6. Loans and borrowings:

As at September 30, 2020, Alaris Equity Partners Inc. ("AEP") has a $330 million credit facility with a syndicate of Canadian chartered banks, which has a maturity date in November 2021 and is secured by a general security agreement on all of the Trust's assets. Subsequent to September 30, 2020, AEP closed an extension to its credit facility, extending the maturity date to November 2023. The interest rate is based on a combination of the CAD Prime Rate ("Prime"), Bankers' Acceptances ("BA"), US Base Rate ("USBR") and LIBOR and the applicable spread determined by Alaris' Funded Debt to Contracted EBITDA. The Trust realized a blended interest rate of 5.5% for the nine months ended September 30, 2020. At September 30, 2020, the Trust had USD$122.5 million and CAD$15.0 million (CAD$178.9 million) drawn on its credit facility (December 31, 2019 - USD$197.2 million and CAD$27.5 million, total of CAD$285.2 million). The CAD$178.9 million drawn includes CAD$10.0 million that was repaid during the three months ended September 30, 2020, for the purposes to re-draw in October for the quarterly distribution. This CAD$10.0 million of debt repaid is included in the total drawn for covenant and disclosure purposes, but is not in the CAD$168.9 million of outstanding debt on the Trust's statement of financial position at September 30, 2020.

At September 30, 2020, Alaris 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 until March 30, 2021 (actual ratio is 1.93:1 at September 30, 2020); minimum tangible net worth of $450.0 million (actual amount is $554.4 million at September 30, 2020); and a minimum fixed charge coverage ratio of 1:1 (actual ratio is 1.36:1 at September 30, 2020).

7. Convertible debenture:

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

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

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

Convertible Debenture *($ thousands)*	**Debt**	**Equity**	**Total**
Balance at January 1, 2019	$ -	$ -	$ -
Face value of issuance	94,500	5,500	100,000
Issuance Cost	(4,473)	-	(4,473)
Deferred taxes	-	(1,441)	(1,441)
Accretion	912	-	912
Balance at December 31, 2019	$ 90,939	$ 4,059	$ 94,998
Accretion	1,491	-	1,491
Non-cash impact of trust conversion	(10,647)	(4,059)	(14,706)
Balance at September 30, 2020	**$ 81,783**	**-**	**$ 81,783**

As a result of Alaris' trust conversion during the three and nine months ended September 30, 2020, the Trust re-valued the convertible debenture as at the date of conversion on September 1, 2020. The impact was a reduction to the liability as at September 30, 2020 of $10.6 million, which is to be accreted over the remaining life of the debentures prior to their June 2024 maturity date. Also, the equity portion of the convertible debentures was reclassified to Other long-term liabilities in the statement of financial position and is recorded at fair value each period end. The fair value of the equity portion of the convertible debentures as of September 1, 2020 and September 30, 2020 was $0.1 million.

8. Unit-based payments:

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

The RSU Plan will settle in voting trust units which may be issued from treasury or purchased on the Toronto Stock Exchange. The Trust has reserved 910,232 and issued 379,832 RSUs to management and Directors as of September 30, 2020. The RSUs issued to directors (63,315) vest over a three-year period. The RSUs issued to management (316,517) are a combination of time vested units (188,397) and performance vested units (128,120). The time vested units do not vest until the end of a three-year period (29,888 in 2020, 73,725 in 2021, 17,484 in 2022, and 67,300 in 2023). The performance vested units vest one third every year (24,589 in 2020, 52,836 in 2021, 28,261 in 2022 and 22,434 in 2023) and are subject to certain performance conditions relating to operating cash flow per unit (for the Q4 2020 units) and book value per unit (all units vesting after 2020). The unit-based compensation expense relating to the RSU Plan is based on the issue price at the time of grant and management's estimate of the future performance conditions and will be amortized over the thirty-six month vesting period.

The Trust has reserved and issued 984,019 options as of September 30, 2020. The options outstanding at September 30, 2020, have an exercise price in the range of $20.60 to $22.47, a weighted average exercise price of $21.70 (2019 – $25.56) and a weighted average contractual life of 1.64 years (2019 – 2.05 years).

As a result of Alaris' conversion to an income trust during the three and nine months ended September 30, 2020, the Trust reclassified amounts to liability accounts, that had been previously recorded to equity reserve related to future stock-based compensation issuances. As at September 30, 2020, the total liability is $4.1 million, $1.4 million of which is included in Accounts payable and accrued liabilities and $2.7 million in Other long-term liabilities.

9. Income taxes:

On April 8, 2020, the U.S. Treasury Department and IRS published the final regulations ("Regulations") addressing hybrid financing arrangements. The key impact that these Regulations have on Alaris is that certain interest payments made by the Trust's U.S. entities are no longer deductible beginning with the Trust's 2019 tax year. The 2019 impact of these Regulations is an increase to total income tax expense of $11 million which has been recorded in the current nine month period ended September 30, 2020. For 2020, the Trust's U.S. entities incurred non-deductible interest expense of $12.4 million, resulting in an increase in total income tax expense of $3.2 million.

In 2015, AEP received a notice of reassessment from the Canada Revenue Agency ("CRA") in respect of its taxation year ended July 14, 2009. AEP has since received notices of reassessment from the CRA in respect of its taxation year ended December 30, 2009 through December 30, 2018 (collectively the "Reassessments"). Pursuant to the Reassessments, the deduction of approximately $121.2 million of non-capital losses and utilization of $9.0 million in investment tax credits ("ITCs") by AEP was denied, resulting in reassessed taxes and interest of approximately $52.2 million.

AEP has received legal advice that it should be entitled to deduct the non-capital losses and claim the ITCs and as such, AEP remains of the opinion that all tax filings to date were filed correctly and that it will be successful in appealing such Reassessments. AEP intends to continue to vigorously defend its tax filing position. In order to do that, AEP was required to pay 50% of the reassessed amounts as a deposit to the CRA. AEP has paid a total of $20.2 million in deposits to the

CRA relating to the Reassessments to date. The ITCs claimed in 2020 are at risk should AEP be unsuccessful in defending its position.

As a result of the trust conversion, Alaris reduced the carrying amounts of investment tax credit receivables to nil in the statement of financial position. The impact was an additional $1.6 million of deferred tax expense incurred in the three and nine months ended September 30, 2020. This is included as part of the total $4.4 million impact to deferred income tax expense from the trust conversion, as outlined in Note 13.

10. 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 condensed consolidated interim statement of financial position as at September 30, 2020 and December 31, 2019, are measured at fair value on a recurring basis using level 2 or level 3 inputs. Discount rates, terminal growth rates, estimates used to determine changes in future distributions from each investment, earnings and earnings multiples 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 three and nine months ended September 30, 2020.

Fair value classification *($ thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
30-Sep-20				
Derivative contracts	$ -	$ (950)	$ -	$ (950)
Investments	-	-	751,593	751,593
Total at September 30, 2020	**$ -**	**($ 950)**	**$ 751,593**	**$ 750,643**
31-Dec-19	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative contracts	$ -	$ 555	$ -	$ 555
Investments	-	-	881,037	881,037
Total at December 31, 2019	**$ -**	**$ 555**	**$ 881,037**	**$ 881,592**

The Trust purchases forward exchange rate contracts to match between 75% and 90% of quarterly distributions and expenses in Canadian dollars on a rolling 12-month basis and also for between 20% to 50% of the expected costs on a rolling 12 to 24 month basis. The notional value of outstanding foreign exchange contracts is US$48.5 million as at September 30, 2020 (US$41.9 million as at December 31, 2019). The interest rate swap was initiated in Q3 2019 and it expires in November 2021. The interest rate swap allows for a fixed interest rate of 1.50% in replace of LIBOR on $50.0 million notional amount of USD debt. The total position of the forward exchange rate contracts and the interest rate swap is included above and in the statement of financial position as Derivative Contracts.

The most significant inputs in the calculation of fair value of Level 3 Investments is the discount rate applied to expected future cash flows, terminal growth rates, future distributions, earnings and earnings multiples.

As outlined in Note 4, cash flows have been discounted at rates ranging from 12.5% to 19.5%. If the discount rate increased (decreased) by 1%, the fair value of Level 3 investments at September 30, 2020 would decrease by $46.6 million and increase by $54.8 million. If the terminal growth rate increased (decreased) by 1%, the fair value of Level 3 investments would increase by $32.0 million and decrease by $27.0 million. If future distributions increased (decreased) by 1% the fair value of Level 3 investments would increase by $3.7 million and decrease by $3.1 million. For the common equity investments, if the earnings increased (decreased) by 1%, the fair value of the common equity investments would increase by $8.9 million and decrease by $7.3 million.

11. Commitments:

Alaris has a commitment of up to US$45.0 million to BCC to fund additional contributions when specified metrics are achieved and the timing of a portion of this commitment is expected within the next twelve months. Alaris also has a commitment to an additional US$4.0 million to Stride which is subject to Alaris' approval and Stride achieving certain financial targets. The timing of this commitment is unknown at this time.

Alaris has also committed to an additional US$3.5 million to PFGP (an additional US$2.8 million of preferred equity and US$0.7 million of common equity, terms consistent with the two existing classes). Timing of the additional funding is unknown at this time.

12. Financial Risk Management

As disclosed in its consolidated financial statements for the year ended December 31, 2019, the Trust has exposure to credit risk, other price risk, liquidity risk, and market risk, including foreign exchange risk and interest rate risk. Due to the current global economic situation (see Note 2), the Trust has provided updated disclosures on these risks as follows:

Credit Risk and Other Price Risk

The risks on which the Trust is exposed has not changed in the period. However, as the Trust's exposure to these risks is influenced by the individual characteristics of each Partner, this risk has changed for each Partner during the period. The carrying amount of investments, trade and other receivables, promissory notes, and cash and cash equivalents continues to represent the maximum credit exposure. Specific discussion on the impact of the current global pandemic are included in Note 4.

Liquidity Risk

Liquidity risk is the risk the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities. The most significant financial liability is that of the loans and borrowings and the convertible debenture, both of which are not due within the next twelve months. During the period, distributions received continue to generate cash flows to satisfy these obligations. There is increased risk that in future periods, should these distributions decrease, that the Trust will not have sufficient liquidity to meet these liabilities. The Trust is onside with its lending covenants as previously disclosed, and currently has enough resources to satisfy those obligations becoming due within the next twelve months.

Market Risk

Market risk includes the risk that changes in market prices, such as foreign exchange rates and interest rates will impact the Trust's income or value of its financial instruments. There has been a significant impact on interest rates in the period due to the current global pandemic, and also resulting impacts on foreign exchange rates. The Trust continues to manage these risks in the same manner as those disclosed in the consolidated financial statements for the year ended December 31, 2019 through the use of derivative contracts, and does not believe its risks related to these factors have increased significantly.

13. Trust Conversion:

As explained in notes 1, 3, 7, 8 and 9, during the period there were adjustments to reclassify and remeasure unit-based compensation and convertible debentures, along with adjustments to investment tax credit receivable accounts which impacted deferred income tax expense. The following summary shows the impact of these adjustments included in the condensed consolidated statement of comprehensive income/(loss) for the three and nine months ended September 30, 2020:

Description	Amount	Financial Statement Line Item
Reclassification and measurement of convertible debentures on September 1, 2020	$ (10,647)	Non-cash impact of trust conversion
Income tax impacts on conversion at September 1, 2020 - deferred	4,419	Deferred income tax expense / (recovery)

The reclassification and measurement of the unit-based compensation at September 1, 2020 was $4.1 million from equity to liabilities, with no impact at the time of conversion to the unit-based compensation expense. Refer to Note 8 for additional details on the liability amounts at September 30, 2020.

The re-measurement of the convertible debentures at September 1, 2020 resulted in a $10.6 million gain in non-cash impact of trust conversion. There was also $0.1 million relating to the conversion option that was reclassified from equity to liabilities. At September 30, 2020 this amount is unchanged and is included in other long-term liabilities.

14. Subsequent Events

GWM Additional Contribution

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