Unaudited Condensed Consolidated Interim Financial Statements of

ALARIS ROYALTY CORP.

For the three months ended March 31, 2016

Alaris Royalty Corp.

Condensed consolidated statement of financial position (unaudited)

	Note	31-Mar 2016	31-Dec 2015
Assets			
Cash and cash equivalents		$55,569,632	$20,990,702
Prepayments		1,665,515	2,434,451
Income tax receivable		7,176,078	3,528,509
Trade and other receivables	4	14,049,989	10,577,985
Investment tax credit receivable		4,174,181	3,796,888
Promissory note receivable	4	13,937,500	11,750,000
Current Assets		96,572,895	53,078,535
Promissory note receivable	4	$7,234,945	7,234,945
Deposits	9	13,304,982	11,981,345
Equipment		771,625	791,942
Intangible assets	4	6,274,658	6,297,392
Investments at fair value	4	676,314,743	704,109,367
Investment tax credit receivable		3,049,433	4,716,919
Non-current assets		706,950,386	735,131,910
Total Assets		$803,523,281	$788,210,445
Liabilities			
Accounts payable and accrued liabilities		$3,187,889	$2,138,132
Dividends payable		4,900,870	4,900,869
Foreign exchange contracts		1,474,787	5,345,488
Income tax payable		2,858,812	1,841,634
Current Liabilities		12,422,358	14,226,123
Deferred income taxes		19,147,580	19,490,794
Loans and borrowings	6	115,366,675	77,447,075
Non-current liabilities		134,514,255	96,937,869
Total Liabilities		$146,936,613	$111,163,992
Equity			
Share capital	5	$617,626,773	$617,626,773
Equity reserve		8,626,284	7,525,767
Fair value reserve		(14,561,275)	1,874,903
Translation reserve		16,388,006	27,651,191
Retained earnings		28,506,880	22,367,819
Total Equity		$656,586,668	$677,046,453
Total Liabilities and Equity		$803,523,281	$788,210,445
Commitments & contingencies	9		
Subsequent events	10		

Alaris Royalty Corp.

Condensed consolidated statement of comprehensive income / loss (unaudited)

For the three months ended March 31

	Note	2016	2015
Revenues			
Royalties and distributions	4	$ 24,252,610	$ 18,782,040
Interest and other	4	313,370	236,606
Total Revenue		24,565,980	19,018,646
Other income			
Gain on partner redemption	4	18,565,507	2,792,457
Realized loss on foreign exchange contracts	8	(1,340,278)	(723,993)
Unrealized gain/(loss) on foreign exchange contracts		3,870,701	(1,324,254)
Total Other income		21,095,930	744,210
Salaries and benefits		565,248	503,942
Corporate and office		945,976	778,110
Legal and accounting fees		806,992	304,536
Non-cash stock-based compensation	7	1,100,517	1,329,335
Depreciation and amortization		69,061	29,291
Subtotal		3,487,794	2,945,214
Earnings from operations		42,174,116	16,817,642
Finance costs		1,516,730	784,379
Unrealized foreign exchange loss/(gain)		14,485,640	(10,766,315)
Earnings before taxes		26,171,746	26,799,578
Deferred income tax expense		4,319,067	3,143,226
Current income tax expense		1,011,012	1,853,587
Total income tax expense		5,330,079	4,996,813
Earnings		$ 20,841,667	$ 21,802,765
Other comprehensive income / (loss)			
Gain on redemption of preferred units		(18,686,309)	(2,792,457)
Tax impact on realized gain		2,491,244	412,449
Foreign currency translation differences		(11,504,299)	6,405,521
Other comprehensive income / (loss) for the period, net of income tax		(27,699,364)	4,025,513
Total comprehensive income / (loss) for the period		$ (6,857,697)	$ 25,828,278
Earnings per share			
Basic earnings per share		$0.57	$0.68
Fully diluted earnings per share		$0.57	$0.66
Weighted average shares outstanding			
Basic	5	36,302,736	32,155,339
Fully Diluted	5	36,657,979	32,848,703

Alaris Royalty Corp.

Condensed consolidated statement of changes in equity (unaudited)

For the three months ended March 31, 2015

	Notes	Share Capital	Equity Reserve	Fair Value Reserve	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2015		$498,363,066	$8,858,711	$(2,637,352)	$7,071,417	$18,023,873	$529,679,715
Total comprehensive income / (loss) for the period							
Earnings for the period		$-	$-	$-	$-	$21,802,765	$21,802,765
Other comprehensive income							
Gain on partner redemption		-	-	(2,792,457)	-	-	(2,792,457)
Tax impact on realized gain		-	-	412,449	-	-	412,449
Foreign currency translation differences		-	-	-	6,405,521	-	6,405,521
Total other comprehensive income		-	-	(2,380,008)	6,405,521	-	4,025,513
Total comprehensive income for the period		$-	$-	$(2,380,008)	$6,405,521	$21,802,765	$25,828,278
Transactions with shareholders of the Company, recognized directly in equity							
Contributions by and distributions to shareholders of the Company							
Non-cash stock based compensation	7	$-	$1,329,335	$-	$-	$-	$1,329,335
Dividends to shareholders	5	-	-	-	-	(12,065,971)	(12,065,971)
Options exercised in the period	5	1,466,073	(261,038)	-	-	-	1,205,035
Shares issued after Director RSU vesting	5	356,000	(356,000)	-	-	-	-
Total transactions with Shareholders of the Company		1,822,073	712,297	-	-	(12,065,971)	(9,531,601)
Balance at March 31, 2015		$500,185,139	$9,571,008	$(5,017,360)	$13,476,938	$27,760,667	$545,976,392

Alaris Royalty Corp.

Condensed consolidated statement of changes in equity (unaudited)

For the three months ended March 31, 2016

	Notes	**Share Capital**	**Equity Reserve**	**Fair Value Reserve**	**Translation Reserve**	**Retained Earnings**	**Total Equity**
Balance at January 1, 2016		$617,626,773	$7,525,767	$1,874,903	$27,651,191	$22,367,819	$677,046,453
Total comprehensive income / (loss) for the period							
Earnings for the period		$-	$-	$-	$-	$20,841,667	$20,841,667
Other comprehensive income							
Gain on partner redemption		-	-	(18,686,309)	-	-	(18,686,309)
Tax impact on realized gain		-	-	2,491,244	-	-	2,491,245
Foreign currency translation differences		-	-	-	(11,504,299)	-	(11,504,299)
Total other comprehensive income		-	-	(16,195,065)	(11,504,299)	-	(27,699,363)
Total comprehensive income for the period		$-	$-	($16,195,065)	($11,504,299)	$20,841,667	($6,857,697)
Transactions with shareholders of the Company, recognized directly in equity							
Contributions by and distributions to shareholders of the Company							
Non-cash stock based compensation	7	$-	$1,100,517	$-	$-	$-	$1,100,517
Dividends to shareholders	5	-	-	-	-	(14,702,607)	(14,702,608)
Options exercised in the period	5	-	-	-	-	-	-
Shares issued after Director RSU vesting	5	-	-	-	-	-	-
Total transactions with Shareholders of the Company		-	1,100,517	-	-	(14,702,607)	(13,602,091)
Balance at March 31, 2016		$617,626,773	$8,626,284	($14,561,275)	$16,388,006	$28,506,880	$656,586,668

Alaris Royalty Corp.

Condensed consolidated statement of cash flows (unaudited)

For the three months ended March 31

	Note	2016	2015
Cash flows from operating activities			
Earnings from the year		$ 20,841,667	$ 21,802,765
Adjustments for:			
Finance costs		1,516,730	784,379
Deferred income tax expense		4,319,067	3,143,226
Depreciation and amortization		69,061	29,291
Gain on partner redemption		(18,565,507)	(2,792,457)
Unrealized (gain)/loss on foreign exchange forward contract		(3,870,701)	1,324,254
Unrealized foreign exchange (gain)/loss		14,485,640	(10,766,315)
Non-cash stock-based compensation	7	1,100,517	1,329,335
		$ 19,896,474	$ 14,854,478
Change in:			
-trade and other receivables		(7,119,573)	(1,374,701)
-prepayments		768,936	70,211
-trade and other payables		2,066,935	(1,100,115)
Cash generated from operating activities		15,612,772	12,449,873
Finance costs		(1,516,730)	(784,379)
Net cash from operating activities		$ 14,096,042	$ 11,665,494
Cash flows from investing activities			
Acquisition of equipment		(26,010)	(2,450)
Acquisition of Preferred LP Units		(37,450,626)	(8,628)
Proceeds from partner redemptions	4	38,396,400	44,300,000
Net cash from investing activities		$ 919,764	$ 44,288,922
Cash flows from financing activities			
Proceeds from exercise of options		-	1,205,035
Repayment of debt	6	(22,000,000)	(35,500,000)
Proceeds from debt	6	61,461,800	-
Promissory notes issued	4	(2,500,000)	-
Promissory notes repaid	4	312,500	50,000
Dividends paid	5	(14,702,608)	(12,053,025)
Deposits with CRA	9	(1,323,637)	-
Net cash generated from/(used in) financing activities		$ 21,248,055	$ (46,297,990)
Net increase in cash and cash equivalents		$ 36,263,862	$ 9,656,426
Impact of foreign exchange on cash balances		(1,684,932)	536,866
Cash and cash equivalents, Beginning of year		20,990,702	13,483,524
Cash and cash equivalents, End of year		$ 55,569,632	$ 23,676,816

1. Reporting entity:

Alaris Royalty Corporation is a company domiciled in Calgary, Alberta, Canada. The condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2016 comprise the Company and its subsidiaries (together referred to as the "Corporation"). The Corporation's Canadian operations are conducted through a partnership. The Corporation's American operations ("Alaris USA") are conducted through a Delaware Corporation formed on October 21, 2011. The Corporation's operations consist primarily of investments in private operating entities, typically in the form of preferred limited partnership interests, preferred interest in limited liability corporations in the United States, loans receivable, or long-term license and royalty arrangements. The Corporation also has a wholly-owned subsidiary in the Netherlands, Alaris Cooperatief U.A. ("Alaris Cooperatief").

2. Statement of compliance:

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting". The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements and accompanying notes disclosed in the Corporation`s annual report for the year ended December 31, 2015. These interim financial statements were approved by the Board of Directors on May 10, 2016.

(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:

- Available-for-sale financial assets (Investments at Fair Value) are measured at fair value with changes in fair value recorded in other comprehensive income
- 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 Corporation's functional currency. Alaris USA Inc. has the United States dollar, while Alaris Cooperatief has the Canadian dollar as the functional currencies.

(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. The Corporation has agreements with various partners and these agreements include not only clauses as to distributions but also various protective rights. The Corporation has assessed these rights under IFRS 10 and 11 and determined that consolidation is not required.

Key assumptions used in discounted cash flow projections

Key assumptions used in the calculation of the fair value of available for sale financial assets are discount rates, terminal value growth rates and annual performance metric growth rates. See note 8 for details in respect of the calculation.

Utilization of tax losses

Management makes estimates on future taxable income that generates the calculations for the deferred income tax expense, assets and liabilities.

Income taxes

Provisions for 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:

There have been no changes to the Corporation's accounting policies from those disclosed in the consolidated financial statements of the Corporation for the years ended December 31, 2015 and 2014.

These condensed consolidated interim financial statements were prepared on the same basis of the audited financial statements for the year ending December 31, 2015.

4. Investments

Investments at Fair Value

31-Mar-16	Acquisition Cost	Capitalized Cost	Net Cost	Fair Value
LMS	$ 60,033,897	$ 586,005	$ 60,619,902	$ 38,947,856
Solowave	42,500,000	511,253	43,011,253	50,474,000
KMH	54,800,000	589,147	55,389,147	35,001,153
Labstat	47,200,000	518,944	47,718,944	46,998,944
Agility Health	26,182,260	810,833	26,993,093	26,044,800
SCR	40,000,000	487,339	40,487,339	32,988,339
Sequel	95,741,100	743,740	96,484,840	102,306,159
SMi	40,500,000	717,310	41,217,310	42,617,310
Kimco	41,943,720	1,300,042	43,243,762	42,644,565
Planet Fitness	52,104,000	817,135	52,921,135	54,744,776
DNT	91,182,000	733,279	91,915,279	91,915,280
Federal Resources	9,118,200	1,638,211	10,756,411	10,756,411
MAHC	17,292,016	1,280,249	18,572,265	18,572,265
Sandbox	28,657,200	925,472	29,582,671	29,582,671
Capitalized costs	-	616,171	616,171	616171
Total LP and LLC units	647,254,393	12,275,130	659,529,523	624,210,743
FR Loan Receivable	52,104,000	-	52,104,000	52,104,000
Total Investments at Fair Value	$ 699,358,393	$ 12,275,130	$ 711,633,523	$ 676,314,743
31-Dec-15	**Acquisition Cost**	**Capitalized Cost**	**Net Cost**	**Fair Value**
LifeMark Health	$ 19,502,159	$ 499,894	$ 20,002,053	$ 38,467,202
LMS	54,228,822	333,280	54,562,102	33,028,822
Solowave	42,500,000	511,253	43,011,253	50,474,000
KMH	54,800,000	589,147	55,389,147	35,001,153
Labstat	47,200,000	518,944	47,718,944	46,998,944
Agility Health	27,870,660	863,121	28,733,781	27,724,336
SCR	40,000,000	487,339	40,487,339	32,988,339
Sequel	101,915,100	791,701	102,706,801	108,903,516
SMi	40,500,000	717,310	41,217,310	42,617,310
Kimco	44,648,520	1,341,585	45,990,105	45,352,269
Planet Fitness	55,464,000	869,829	56,333,829	58,275,071
DNT	97,062,000	780,566	97,842,566	97,842,566
Federal Resources	9,706,200	1,567,062	11,273,262	11,273,262
MAHC	18,407,116	1,114,882	19,521,998	19,521,998
Capitalized costs	-	176,579	176,579	176,579
Total LP and LLC Units	653,804,577	11,162,492	664,967,069	648,645,367
FR Loan Receivable	55,464,000	-	55,464,000	55,464,000
Total Investments at Fair Value	$ 709,268,577	$ 11,162,492	$ 720,431,069	$ 704,109,367

The difference in the acquisition cost of Agility, Sequel, Kimco, Planet Fitness, DNT, Federal Resources and MAHC at March 31, 2016 and December 31, 2015 is due to foreign currency translation.

Investment in Sandbox Acquisitions, LLC (“Sandbox”)

The Corporation holds 556 Class B units, 1,444 Class C units and 1 Class D unit in Sandbox Acquisitions, LLC along with 200,000 Preferred units in Sandbox Advertising Limited Partnership (collectively the “Sandbox units”) acquired on March 8, 2016 for $22.0 million USD. Sandbox offers a wide range of marketing and advertising services including strategic marketing and planning, creative development for all media and digital strategy solutions including CRM and data analytics for clients in a variety of industries within the US and Canada.

Pursuant to the LLC agreement dated March 8, 2016, the Sandbox units entitle the Corporation to receive an initial annual preferred distribution of $3,300,000 USD in priority to distributions on Sandbox's other LLC units, after the initial annual preferred distribution the distribution is an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in Sandbox's gross revenues for the previous fiscal year subject to a maximum increase or decrease of 6%. Distributions on the Sandbox units are receivable monthly.

Sandbox has the option at any time after March 8, 2019 to repurchase the Sandbox units at a pre-negotiated premium to the original purchase price.

Lower Mainland Steel ("LMS") Additional Contribution

On March 16, 2016 Alaris made an additional contribution to LMS of $4.35 million USD ($5.8 million CAD) in exchange for an annual distribution of $622,000 USD (approximately $818,000 CAD) (the "Additional LMS Distribution") for the first full year following closing (for 2016 Alaris will receive the pro-rata portion of the Additional LMS Distribution based on the calendar days remaining in the year). The Additional LMS Distribution will be adjusted annually (with the first reset being January 1, 2018), subject to a 6% collar. LMS used the proceeds from Alaris to fund a portion of the purchase price for a strategic acquisition of a rebar fabricator and installer in California.

Investment in LifeMark Health Limited Partnership ("LifeMark Health")

At December 31, 2015, the Corporation held 6,750,000 preferred units in LifeMark Health. On March 4, 2016, the Corporation redeemed all of its preferred units in LifeMark in exchange for $30 million in cash and an $8.4 million promissory note with interest at 11.15% from Centric Health Corporation ("Centric"). The promissory note, along with all interest accrued and owing, was repaid in full by Centric on March 23, 2016. The Corporate realized a gain on redemption of $18.6 million due to proceeds on redemption exceeding the carrying value of the units.

Intangible Assets:

The Corporation holds intangible assets in End of the Roll, net of accumulated amortization of $1,000,262 (December 31, 2015 - $977,528), of $6,274,658.

Royalties and Distributions:

The Corporation recorded royalty and distribution revenue and interest and other income as follows:

Royalties and distributions:				
Period Ending March 31st		**2016**		**2015**
Sequel	$	4,056,575	$	3,489,167
DNT		3,608,484		-
Federal Resources		2,429,254		-
Planet Fitness		2,138,458		1,629,469
Solowave		1,719,864		1,622,513
Kimco		1,653,606		1,450,072
SMi		1,594,134		1,719,097
SCR		1,504,000		1,600,000
Labstat		1,375,000		1,500,000
LMS		1,087,193		998,871
Agility Health		1,057,538		986,311
LifeMark Health		730,216		1,028,799
MAHC		684,323		-
End of the Roll		344,220		330,027
Sandbox		269,746		-
KMH		-		1,890,000
Killick		-		537,715
Royalties and Distributions	$	24,252,610	$	18,782,040
Interest Income				
SMi		248,188		-
Labstat		65,182		236,606
Interest and Other		313,370		236,606
Total Revenue	$	24,565,980	$	19,018,646

As part of being a long-term partner with the companies the Corporation holds preferred interests in, from time to time the Corporation has offered alternative financing solutions to assist with short-term needs of the individual businesses. The terms of the various notes differ: the KMH note is a demand note and payment has been demanded though timing of collection is uncertain; the Labstat note (interest at 7%) is due July 2017; the SMI note is a demand note (interest at 8%) and is expected to be repaid in the next twelve months (SMI has the ability to borrow an additional $2.75 million under the loan agreement); and the SHS note is secured against certain assets of the SHS business and the Corporation expects to be repaid as a secured creditor out of its current receivership process. The Corporation received partial settlement on the SHS note of $312,500 in the current period. The remainder is expected to be collected from the receivership process. No interest is currently being accrued on the KMH and SHS notes. At March 31, 2016, the following is a summary of the outstanding promissory notes:

Partner	March 31, 2016	December 31, 2015
Current		
SHS	$ 1,187,500	$ 1,500,000
SMi	12,750,000	10,250,000
Total Current	$ 13,937,500	$ 11,750,000
Non-Current		
Labstat	3,734,945	3,734,945
KMH	3,500,000	3,500,000
Total Non-current	7,234,945	7,234,945
Total	$ 21,172,445	$ 18,984,945

Trade receivables are due mostly from three partner companies with approximately half of the outstanding balance over 90 days. SMi is approximately 40% ($5.5 million) and includes unpaid distributions from July 2015 through March 2016 plus accrued interest on short term loans the full amount of which is expected to be paid in 2016 following a successful outcome of an international lawsuit. Kimco is approximately 33% ($4.6 million) and includes unpaid distributions from July 2015 through March 2016 which amounts are expected to be paid in the next twelve months based on a budget prepared by Kimco management. Labstat is approximately 18% ($2.4 million) and includes the cash flow sweep for 2015 distributions. Subsequent to period end, the Corporation received the remaining portion of the 2015 sweep of $1.7 million. No allowance for doubtful accounts has been recorded at March 31, 2016 as the Corporation believes that all amounts recorded at March 31, 2016 will be realized. Should there be an adverse event in Kimco's or SMi's businesses, collection could be negatively impacted.

5. Share capital:

Issued Common Shares	Number of Shares	Amount
Balance at January 1, 2015	32,072,358	$ 498,363,066
Issued by short form prospectus	3,771,655	3,795,607
Short form prospectus costs, net of tax	-	115,035,478
Issued after director RSU vesting	170,585	(4,010,958)
Options exercised in the period	288,138	3,956,988
Fair value of options exercised in the period	-	486,592
Balance at December 31, 2015	36,302,736	$ 617,626,773
Issued during the current period	-	-
Balance at March 31, 2016	36,302,736	$ 617,626,773

The Corporation has authorized, issued and outstanding, 36,302,736 voting common shares as at March 31, 2016.

	March 31, 2016	December 31, 2015
Weighted average shares outstanding, basic	36,302,736	32,155,339
Effect of outstanding options	83,136	432,429
Effect of outstanding RSUs	274,957	260,935
Weighted average shares outstanding, fully diluted	36,660,829	32,848,703

1,344,448 options were excluded from the calculation as they were anti-dilutive at March 31, 2016.

Dividends

The following dividends were declared and paid in the month following by the Corporation:

In each of the first three months of 2016, the Corporation declared a dividend of $0.135 per common share ($0.405 per share and $14,702,608 in aggregate). For the three months ended March 31, 2015, dividends of $0.375 per share and $12,065,971 in aggregate were declared.

6. Debt:

In November 2015, the Corporation agreed to a new $200,000,000 secured revolving credit facility with a syndicate of Canadian chartered banks. This expanded facility (previously $90 million, 365 day revolving facility) will allow the Corporation to carry up to 1.5x EBITDA in debt over the four year term while keeping the remainder available for new transactions. The four year revolving facility has no amortization, the annual fees were reduced and the interest rate is 0.50% lower than the previous facility.

Interest is payable at the lenders' prime rate plus 2.25% (4.95% at March 31, 2016). There are financial covenants under this facility and at March 31, 2016, the Corporation is in compliance with each of the covenants.

7. Share-based payments:

The Corporation has a Restricted Share Unit Plan ("RSU Plan") and a Stock 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 RSUs and Options subject to a maximum of ten percent of the issued and outstanding common shares of the Corporation.

The RSU Plan will settle in voting common shares which may be issued from treasury or purchased on the Toronto Stock Exchange. The Corporation has reserved 501,683 and issued 274,957 RSUs to management and Directors as of March 31, 2016. The RSUs issued to directors vest over a three-year period. The RSUs issued to management (186,580) do not vest until the end of a three-year period (41,619 in July 2016; 12,681 in July 2017; and 132,280 in July 2018) and are subject to certain performance conditions relating to operating cash flow per share. The stock-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.

For the three months ended March 31, 2016, the Corporation incurred stock-based compensation expenses of $1,100,517 (2015 - $1,329,335) which includes: $685,474 (non-cash expense) for the RSU Plan expense (2015 - $797,882); and $415,043 (non-cash expense) for the amortization of the fair value of outstanding stock options (2015 - $531,453).

The Corporation has reserved 2,300,898 and issued 1,966,484 options as of March 31, 2016. The options outstanding at March 31, 2016, have an exercise price in the range of $11.56 to $33.87, a weighted average exercise price of $26.93 and a weighted average contractual life of 2.65 years (2015 – 2.87 years).

8. Fair Value of Financial Instruments

The Corporation's financial instruments as at March 31, 2016 and December 31, 2015 include cash and cash equivalents, trade and other receivables, income tax receivable, promissory notes receivable, Investments at Fair Value, loan receivable, foreign exchange forward contracts, accounts payable and accrued liabilities, and loans and borrowings. The fair value of cash and cash equivalents, trade and other receivables, income tax receivable, promissory notes receivable accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity. Loans and borrowings bear interest at a floating market rate and accordingly the fair market value approximates the carrying value. Foreign exchange contracts are recorded at fair value determined by individual contract rates and the March 31, 2016 foreign exchange spot rate. The fair values of the Investments at fair value and the Federal Resources Loan are estimated by evaluating a number of different methods:

(a) A going concern value was calculated by calculating the discounted cash flow of the future expected distributions. Key assumptions used include the discount rate used in the calculation and estimates relating to changes in future distributions. For each individual Partner, the Corporation considered a number of different discount rate factors including what industry they operated 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 Alaris' publicly traded shares and of other similar public companies. Future distributions have been discounted at rates ranging from 13.25% - 19.50%. All of the investments except as noted below were valued on this basis at March 31, 2016.

(b) A redemption or retraction value is used when the partner company has indicated to the Corporation that they intend to repurchase the preferred position and was calculated using the formula specified in each of the Partnership agreements alongside an assessment of the likelihood of a redemption of the Preferred Units.

(c) A liquidation value is used when there is concern around the collection of future distributions and the partner company is in default with the Corporation. The liquidation value is an estimate of the current value of the private company to determine if there would be sufficient value to cover the liquidation amount. If not, the value is reduced to what the calculation estimates may be recovered (the liquidation value). The Corporation's investment in KMH was valued on this basis at March 31, 2016.

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 statement of financial position as at March 31, 2016 and December 31, 2015, are measured at fair value on a recurring basis using level 2 or level 3 inputs. During the period ended March 31, 2016 there were no transfers between level 2 or level 3 classified assets and liabilities.

March 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign exchange contracts	$-	$(1,474,787)	$-	$(1,474,787)
Preferred LP and LLC units	-	-	676,314,743	676,314,743
	$-	$(1,474,787)	$676,314,652	$674,839,956
December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign exchange contracts	$-	$(5,345,488)	$-	$(5,345,488)
Preferred LP and LLC units	-	-	704,109,367	704,109,367
	$-	$(5,345,488)	$704,109,367	$698,763,879

9. Commitments and Contingencies:

In 2009, the Corporation signed a seven-year lease that commenced December 1, 2009, ending November 30, 2016. In December 2015, the Corporation signed a five-year lease at a new location as the Corporation has outgrown the current space. The Corporation’s annual commitments under both leases are as follows:

2016	$	361,934
2017		410,494
2018		421,033
2019		431,572
2020		215,786
	$	1,840,820

Income taxes

Prior to December 31, 2015, the Corporation received a notice of reassessment from the Canada Revenue Agency in respect of its taxation years ended July 14, 2009 through December 31, 2014 (the “Reassessments”). Pursuant to the Reassessments, the deduction of approximately $110 million of non-capital losses by the Corporation was denied, resulting in reassessed taxes and interest of approximately $34.2 million. Subsequent to filing the notice of objection for the July 14, 2009 taxation year, Alaris received an additional proposal from the CRA pursuant to which the CRA is proposing to apply the general anti-avoidance rule to deny the use of non-capital losses, accumulated scientific research and experimental development expenditures and investment tax credits for taxation years from 2006 through to 2012. The proposal does not impact the Corporation'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 reassessment. The Corporation has received legal advice that it should be entitled to deduct the non-capital losses and as such, the Corporation remains of the opinion that its July 14, 2009 tax return, and each return filed after that date, were filed correctly and it will be successful in appealing such Reassessments. The Corporation intends to vigorously defend its tax filing position. In order to do that, the Corporation was required to pay 50% of the reassessed amount as a deposit to the Canada Revenue Agency. The Corporation paid $1.27 million in deposits in 2014 to the Alberta Treasury Board and Finance, another $10.7 million in 2015 and an additional $1.3 million in the first quarter of 2016 relating to these Reassessments. It is possible that the Corporation may be reassessed with respect to the deduction of its non-capital losses in respect of its tax filings subsequent to December 31, 2015, on the same basis.

Remaining investment tax credits of $7.2 million at March 31, 2016 are at risk should the Corporation be unsuccessful in defending its position. The Corporation anticipates that legal proceedings through the CRA and the courts will take considerable time to resolve.

10. Subsequent events:

Investment in Providence Industries, LLC

Subsequent to March 31, 2016, the Corporation, through its wholly-owned subsidiary Alaris USA Inc., collectively contributed $30.0 million USD to Providence Industries, LLC ("Providence"). Providence is a leading provider of design, engineering, development, manufacturing and sourcing services for international apparel companies and retailers. The Company utilizes its extensive global network of sourcing and manufacturing partners to provide value-added sourcing excellence to customers, combined with rapid speed to market. In addition, Providence's unique design expertise and focus on innovation enables customers to remain at the forefront of evolving fashion trends.

Pursuant to agreements dated April 1, 2016, the Corporation is entitled to receive an annual preferred distribution of $4.5 million USD in priority to distributions on Providence's common shares. After the initial annual preferred distribution, the distribution is an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in Providence's same customer revenues for the previous fiscal year subject to a maximum increase or decrease of 5%. Distributions on the Providence units are receivable monthly.

Federal Resources Additional Contribution

On April 29, 2016 Alaris contributed $6.5 million USD ($8.15 million CAD) to Federal Resources (the "Additional FED Distribution") in exchange for an annual distribution of $910,000 USD (approximately $1.1 million CAD) for the first full year following closing (for 2016 Alaris will receive the pro-rata portion of the Additional FED Distribution based on the calendar days remaining in the year). The Additional FED Distribution will be adjusted annually (with the first reset being January 1, 2018), subject to a 6% collar. Federal Resources used the proceeds from Alaris to fund a portion of the purchase price for a strategic acquisition of a single point training and support provider for CBRNE users.