Unaudited Condensed Consolidated Interim Financial Statements of

ALARIS ROYALTY CORP.

For the three and nine months ended September 30, 2014

Alaris Royalty Corp.

Condensed consolidated statement of financial position (unaudited)

	Note	September 30 2014	December 31 2013
Assets			
Cash and cash equivalents		$10,846,101	$8,998,342
Prepayments and deposits	2	1,430,089	125,543
Trade and other receivables		3,304,796	955,831
Promissory notes receivable	4	6,550,000	8,500,000
Current Assets		22,130,986	18,579,716
Promissory notes receivable	4	6,915,000	6,915,000
Equipment		96,107	59,825
Intangible assets	4	6,411,062	6,479,265
Preferred LP and LLC Units	4	496,282,073	433,988,295
Investment tax credit receivable		10,922,393	10,922,393
Deferred income taxes	3	-	3,785,015
Non-current assets		520,626,635	462,149,793
Total Assets		$542,757,621	$480,729,509
Liabilities			
Accounts payable and accrued liabilities		$473,782	$1,361,588
Dividends payable		4,009,045	3,443,243
Income taxes payable		235,431	1,031,701
Foreign exchange contracts		588,074	633,801
Loans and borrowings	6	3,375,000	-
Current Liabilities		8,681,332	6,470,333
Deferred income taxes		1,827,953	-
Loans and borrowings	6	10,125,000	44,500,000
Non-current liabilities		11,952,953	44,500,000
Total Liabilities		$20,634,285	$50,970,333
Equity			
Share capital	5	$497,735,050	$413,237,576
Equity reserve		8,365,362	5,688,079
Fair value reserve		(4,574,923)	(4,883,951)
Translation reserve		4,103,022	1,201,883
Retained Earnings		16,494,825	14,515,589
Total Equity		$522,123,336	$429,759,176
Total Liabilities and Equity		$542,757,621	$480,729,509
Commitments	9		
Subsequent event	10		

Alaris Royalty Corp.

Condensed consolidated statement of comprehensive income (unaudited)

	Note	Three months ended September 30		Nine months ended September 30	
		2014	2013	2014	2013
Revenues and other income					
Royalties and distributions	4	$17,827,006	$ 14,464,752	$49,239,927	$36,570,619
Interest and other		261,982	297,665	888,060	762,885
Gain on reduction of partner interests	4	-	-	-	13,052,160
Gain/(loss) on foreign exchange contracts		(543,497)	466,353	(591,635)	(22,649)
Total Revenue and other income		17,545,491	15,228,770	49,536,352	50,363,015
Salaries and benefits		478,181	263,034	3,169,423	2,329,222
Corporate and office		543,124	282,003	1,494,874	1,068,945
Legal and accounting fees		448,734	252,842	1,218,512	829,726
Non-cash stock-based compensation	7	1,118,282	1,347,606	2,951,424	2,825,365
Depreciation and amortization		27,844	26,558	82,159	79,415
Subtotal		2,616,165	2,172,043	8,916,392	7,132,673
Earnings from operations		14,929,326	13,056,727	40,619,960	43,230,342
Finance cost		247,792	296,986	2,289,004	1,243,624
Foreign exchange (gain)/loss		(4,677,567)	1,329,300	(4,544,550)	78,090
Earnings before taxes		19,359,101	11,430,441	42,875,506	41,908,628
Current income tax expense	3	(1,100,183)	806,117	450,338	1,461,456
Deferred income tax expense	3	5,830,369	2,236,800	6,969,774	7,757,200
Earnings		$14,628,915	$ 8,387,524	$35,455,394	$ 32,689,972
Other comprehensive income					
Net change in fair value of Preferred LP Units	4	170,619	-	96,679	-
Tax impact of change in fair value		83,549	-	212,349	-
Realized gain on reduction of partnership interest		-	-	-	(13,052,160)
Tax impact of realized gain			-	-	1,631,520
Foreign currency translation differences		3,044,420	847,354	2,901,139	19,527
Other comprehensive income for the period, net of income tax		3,298,588	847,354	3,210,167	(11,401,113)
Total comprehensive income for the period		$17,927,503	$ 9,234,878	$38,665,561	$ 21,288,859
Earnings per share					
Basic earnings per share		$0.46	$0.30	$1.19	$1.26
Fully diluted earnings per share		$0.45	$0.29	$1.16	$1.22
Weighted average shares outstanding					
Basic		32,042,952	28,106,555	29,898,524	26,022,045
Fully Diluted		32,718,883	28,893,781	30,522,359	26,731,035

Alaris Royalty Corp.

Condensed consolidated statement of changes in equity (unaudited)

For the nine months ended September 30, 2013

	Notes	Share Capital	Equity Reserve	Fair Value Reserve	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2013		$252,016,172	$2,930,483	$2,336,689	$(265,220)	$21,731,093	$278,749,212
Total comprehensive income for the period							
Earnings for the period		-	-	-	-	32,689,972	32,689,972
Other comprehensive income							
Realized gain on LifeMark redemption	4	-	-	(13,052,160)	-	-	(13,052,160)
Tax impact on realized gain		-	-	1,631,520	-	-	1,631,520
Foreign currency translation differences		-	-	-	19,527	-	19,527
Total other comprehensive income		-	-	(11,420,640)	19,527	-	(11,401,113)
Total comprehensive income for the period		$-	$-	$(11,420,640)	$19,527	$32,689,972	$21,288,859
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	$-	$2,825,365	$-	$-	$-	$2,825,365
Dividends to shareholders	5	-	-	-	-	(26,416,482)	(26,416,482)
Shares issued in the period		165,036,300	-	-	-	-	165,036,300
Share issue costs, net of tax		(6,811,303)	-	-	-	-	(6,811,303)
Options exercised in the period		2,711,476	(564,250)	-	-	-	2,147,226
Payments in lieu of dividends on RSUs	7	-	-	-	-	(208,832)	(208,832)
Shares issued after director RSU vesting	7	486,672	(486,672)	-	-	-	-
Total transactions with Shareholders of the Company		161,423,145	1,774,443	-	-	(26,625,314)	136,572,474
Balance at September 30, 2013		$413,439,317	$4,704,926	$(9,083,951)	$(245,693)	$27,795,751	$436,610,350

Alaris Royalty Corp.

Condensed consolidated statement of changes in equity (unaudited)

For the nine months ended September 30, 2014

	Notes	Share Capital	Equity Reserve	Fair Value Reserve	Translation Reserve	Retained Earnings	Total Equity
Balance at January 1, 2014		$413,237,576	$5,688,079	$(4,883,951)	$1,201,883	$14,515,589	$429,759,176
Total comprehensive income for the period							
Earnings for the period		-	-	-	-	35,455,394	35,455,394
Other comprehensive income							
Net change in fair value of Preferred units		-	-	96,679	-	-	96,679
Tax impact of change in fair value		-	-	212,349	-	-	212,349
Foreign currency translation differences		-	-	-	2,901,139	-	2,901,139
Total other comprehensive income		-	-	309,028	2,901,139	-	3,210,167
Total comprehensive income for the period		$-	$-	$309,028	2,901,139	$35,455,394	$38,665,561
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	$-	$2,951,424	$-	$-	$-	$2,951,424
Dividends to shareholders	5	-	-	-	-	(33,252,104)	(33,252,104)
Options exercised in the period	5	397,879	(274,141)	-	-	-	123,738
Shares issued in the period	5	87,417,135	-	-	-	-	87,417,135
Share issue costs, net of tax	5	(3,317,540)	-	-	-	-	(3,317,540)
Payments in lieu of dividends on RSUs	7	-	-	-	-	(224,054)	(224,054)
Total transactions with Shareholders of the Company		84,497,474	2,677,283	-	-	(33,476,158)	53,698,599
Balance at September 30, 2014		$497,735,050	$8,365,362	$(4,574,923)	$4,103,022	$16,494,825	$522,123,336

Alaris Royalty Corp.

Condensed consolidated statement of cash flows (unaudited)

For the nine months ended September 30

	Note	2014	2013
Cash flows from operating activities			
Earnings from the period		$35,455,394	$32,689,972
Adjustments for:			
Finance costs		2,289,004	1,243,624
Deferred income tax expense		6,969,774	7,757,200
Depreciation and amortization		82,159	79,414
Unrealized foreign exchange loss/(gain)		(4,544,550)	78,090
(Gain)/Loss on forward contracts		(45,728)	22,649
(Gain)/Loss on reduction of partner interests		-	(13,052,160)
Non-cash stock based compensation	7	2,951,424	2,825,365
		43,157,477	31,644,154
Change in:			
-trade and other receivables		(2,348,965)	(644,515)
-prepayments		(1,304,546)	62,308
-trade and other payables		(1,684,076)	(555,012)
Cash generated from operating activities		37,819,890	30,486,935
Interest paid		(2,289,004)	(1,243,624)
Net cash from operating activities		$35,530,886	$29,243,311
Cash flows from investing activities			
Acquisition of equipment		(50,239)	(5,232)
Acquisition/disposition of Preferred LP Units	4	(54,609,577)	(126,136,641)
Proceeds from reduction in Preferred LP Units		-	30,000,000
Net cash used in investing activities		(54,659,816)	$(96,141,873)
Cash flows from financing activities			
New share capital, net of share issue costs	5	82,813,306	155,954,527
Proceeds from exercise of options	5	123,739	2,147,226
Borrowing of senior debt	6	53,200,000	118,000,000
Repayment of senior debt	6	(84,200,000)	(168,000,000)
Promissory notes issued	4	(50,000)	(13,635,000)
Promissory notes repaid	4	2,000,000	-
Dividends paid	5	(32,686,302)	(25,318,587)
Payments in lieu of dividends on RSUs	7	(224,054)	(208,832)
Net cash from financing activities		$20,976,689	$68,939,334
Net increase in cash and cash equivalents		1,847,759	2,040,772
Cash and cash equivalents, Beginning of period		8,998,342	3,638,255
Cash and cash equivalents, End of period		$10,846,101	$5,679,027

1. **Reporting entity:**

Alaris is a company domiciled in Calgary, Alberta, Canada. The condensed consolidated interim financial statements of the Company as at and for the three and nine months ended September 30, 2014 comprise the financial statements of 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 are conducted through a Delaware Corporation, Alaris USA Inc. ("Alaris USA"), 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, 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, 2013. These interim financial statements were approved by the Board of Directors on November 13, 2014.

(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 (Preferred LP units and Preferred LLC units) 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 has the United States dollar, while Alaris Cooperatief has the Canadian dollar as their functional currencies.

(d) Use of estimates

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 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.

2. Statement of compliance (continued):

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. In 2014, the Corporation received a notice of reassessment from the Canada Revenue Agency in respect of its taxation year ended July 14, 2009 (the "Reassessment"). Pursuant to the Reassessment, the deduction of approximately $10 million of non-capital losses by the Corporation was denied, resulting in reassessed taxes and interest of approximately $3.6 million. 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 was filed correctly and it will be successful in appealing such Reassessment. The Corporation intends to vigorously defend its tax filing position. In order to do that, the Corporation is required to pay 50% of the reassessed amount as a deposit to the Canada Revenue Agency. During the first nine months of 2014, the Corporation paid $1,267,377 to the Canada Revenue Agency representing the Federal portion of the total estimated deposit of $1.8 million. 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 July 14, 2009, on the same basis.

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, 2013 and 2012.

These condensed consolidated interim financial statements were prepared on the same basis of the audited financial statements for the year ending December 31, 2013.

During the preparation of the December 31, 2013 income tax returns, the Corporation determined that the deferred income tax provision had been performed incorrectly for the year ended December 31, 2012 and the year ended December 31, 2013. The impact of this error has been recorded as an out of period correction of an immaterial error in nine month period ended September 30, 2014. The impact of the error is that the deferred income tax asset was understated and the deferred income tax expense was overstated in the years ended December 31, 2012 and December 31, 2013 by $984,400 and $1,333,000, respectively. These errors have been corrected by recording an out of period adjustment in the nine months ended September 30, 2014. Therefore the deferred income tax expense for the nine month period ended September 30, 2014 has been decreased by $1,333,000, and the deferred tax asset has been increased by $2,317,400 to correct for the error.

4. Investments

Preferred LP and LLC Units:

September 30, 2014	Acquisition Cost	Capitalized Cost	Net Cost	Fair Value
LifeMark Health	$ 19,502,159	$ 499,894	$ 20,002,053	$ 36,920,000
LMS	54,228,822	333,280	54,562,102	32,528,822
Solowave	32,500,000	511,253	33,011,253	34,000,000
KMH	54,800,000	589,147	55,389,147	53,661,153
Killick	41,250,000	257,544	41,507,544	44,800,000
Quetico	30,122,620	860,337	30,982,957	30,087,117
Labstat	47,200,000	518,944	47,718,944	45,718,944
Agility	22,507,980	718,675	23,226,655	23,226,655
SHS	15,000,000	512,014	15,512,014	-
SCR	40,000,000	487,339	40,487,339	40,487,339
Sequel	82,305,300	660,956	82,966,256	82,966,256
SMi	37,500,000	717,310	38,217,310	38,217,310
Kimco	32,698,160	970,317	33,668,477	33,668,477
	$ 509,615,041	$ 7,637,010	$ 517,252,051	$ 496,282,073
December 31, 2013	**Acquisition Cost**	**Capitalized Cost**	**Net Cost**	**Fair Value**
LifeMark Health	$ 19,502,159	$ 499,894	$ 20,002,053	$ 35,500,000
LMS	54,228,822	333,280	54,562,102	32,528,822
Solowave	32,500,000	511,253	33,011,253	32,600,000
KMH	54,800,000	559,192	55,359,192	55,431,198
Killick	41,250,000	257,544	41,507,544	44,800,000
Quetico	28,575,870	860,337	29,436,207	29,436,207
Labstat	41,200,000	518,944	41,718,944	39,718,944
Agility	21,352,230	712,284	22,064,514	22,064,514
SHS	15,000,000	512,014	15,512,014	-
SCR	40,000,000	486,389	40,486,389	40,486,389
Sequel	70,111,800	593,111	70,704,911	70,704,911
SMi	30,000,000	717,310	30,717,310	30,717,310
	$ 448,520,881	$ 6,561,552	$ 455,082,433	$ 433,988,295

The difference in the acquisition cost of Quetico, Agility and Sequel at December 31, 2013 and September 30, 2014 is due to foreign currency translation.

The Corporation holds intangible assets as follows:

September 30, 2014	Acquisition Cost	Capitalized Cost	Accumulated Amortization	Net Cost
End of the Roll	$ 7,200,000	$ 74,920	$ (863,858)	$ 6,411,062
December 31, 2013				
End of the Roll	$ 7,200,000	$ 74,920	$ (795,655)	$ 6,479,265

Investment Kimco Holdings, LLC ("Kimco"):

The Corporation holds 10,000 Class C preferred LLC units in Kimco acquired on June 6, 2014 for $29.2 million USD.

Pursuant to the LLC agreement dated June 6, 2014, the Kimco units entitle the Corporation to receive an annual preferred distribution in priority to distributions on Kimco's other LLC units in an amount equal to the preferred distribution for the prior fiscal year multiplied by the percentage increase or decrease in Kimco's gross revenues for the previous fiscal year. Distributions on the Kimco units are receivable monthly.

Kimco has the option at any time after June 6, 2017 to repurchase the units at a pre-negotiated premium to the original purchase price.

Further contributions to Partners

In the three months ended September 30, 2014, the Corporation purchased additional preferred units in SMi for $7,500,000. Distributions on those units will be $1,200,000 for the first twelve months and will reset based on terms similar to the originally purchased SMi units. The Corporation also purchased additional preferred units in Sequel for $7,500,000 USD. Distributions on the additional Sequel units will be $1,070,000 USD for the first twelve months and will reset based on terms similar to the original purchased Sequel units.

Reduction of interest in LifeMark Health

In the prior year, during the nine months ended September 30, 2013, the Corporation received $30 million of proceeds from LifeMark Health for the redemption of a portion of the preferred units in LifeMark. The redemption resulted in a decrease to the annual distributions from LifeMark from $7,020,000 to $3,956,880 (increasing to $4,115,155 effective June 2014). The remainder of the units ($36.92 million) can be repurchased anytime with 30-days notice with the repurchase price increasing by 4% effective in June of each year.

The Corporation received royalties and distributions as follows:

Royalties and distributions:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Sequel	$ 2,963,470	$ 2,570,783	$ 8,392,373	$ 2,533,410
KMH	1,990,777	2,067,303	5,946,831	6,201,909
Killick	1,724,397	1,486,440	5,080,942	4,370,616
Labstat	1,605,501	1,545,000	3,816,503	4,635,000
SCR	1,600,000	1,600,089	4,800,000	2,273,696
SMi	1,406,575	-	3,806,575	-
Kimco	1,271,951	-	1,613,868	-
Solowave	1,206,036	1,165,600	3,618,108	3,496,800
LifeMark	1,028,799	989,232	3,020,452	3,980,740
Quetico	1,026,053	1,213,980	3,092,291	3,588,997
Agility	883,126	519,350	2,661,539	1,535,400
LMS	850,467	623,925	2,524,262	1,832,800
End of the Roll	269,854	266,384	866,183	878,510
SHS	-	416,666	-	1,242,741
	$ 17,827,006	$ 14,464,752	$ 49,239,927	$ 36,570,619

4. **Investments (continued)**:

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 short-term financing solutions to assist with short-term needs of the individual businesses. At September 30, 2014, the following is a summary of the outstanding loans:

Partner		September 30, 2014		Dec 31, 2013
Current				
LMS	$	1,000,000	$	3,000,000
KMH		3,500,000		3,500,000
SHS		2,050,000		2,000,000
Total Current	$	6,550,000	$	8,500,000
Non-Current				
Labstat		6,915,000		6,915,000
Total	$	13,465,000	$	15,415,000

The terms of the various notes differ as a portion of the Labstat notes can be converted to preferred units, but not until 2015; and the SHS note is secured against certain assets of the SHS business. During the three months ended September 30, 2014, LMS repaid $1,000,000.

5. **Share capital:**

In the nine months ended September 30, 2014, the Corporation issued: 3,274,050 shares by way of a short form prospectus for gross proceeds of $87,417,135; 26,250 shares that vested to Directors under the Restricted Share Unit (“RSU”) Plan; and 78,364 shares as a result of the exercise of options for gross proceeds of $123,739. The Corporation has authorized, issued and outstanding, 32,072,358 voting common shares as at September 30, 2014.

Dividends

The following dividends were declared and paid by the Corporation:

In each of the first five months in 2014, the Corporation declared a dividend of $0.12 per common share and in June through September, the Corporation declared a dividend of $0.125 per common share (in aggregate $1.10 per common share and $33,252,104). For the nine months ended September 30, 2013, total dividends of $0.87 per common share were declared for $26,416,482.

6. **Debt:**

The Corporation has an $85,100,000 secured revolving credit facility with a syndicate of Canadian chartered banks. The term out date under the credit facility is December 31, 2014. If monies are drawn, and if an extension is not received by December 31, 2014, the facility will be repaid in thirty-six equal monthly installments commencing January 31, 2015. There are financial covenants under this facility and at September 30, 2014, the Corporation is in compliance with each of the covenants. During the three months ending September 30, 2014, the Corporation borrowed $15.5 million for follow-on contributions to SMi and Sequel and then voluntarily repaid $2.0 million leaving a balance of $13.5 million at September 30, 2014.

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 648,386 and issued 264,509 RSUs to management and Directors as of September 30, 2014. The RSUs issued to directors vest over a three-year period. The RSUs issued to management (173,259) do not vest until the end of the three year period (111,431 in September 2015, 48,026 in July 2016, and 13,802 in August 2017) 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 was amortized over the thirty-six month vesting period. Payments in lieu of dividends on the unvested RSUs are made monthly in cash in accordance with the Corporation's dividend policy.

For the three and nine months ended September 30, 2014, the Corporation incurred stock-based compensation expenses of $1,118,282 and $2,951,424 (2013 - $1,347,606 and $2,825,365) which includes: $470,014 and $1,348,706 (non-cash expense) for the portion of the RSU Plan expense that is to be amortized over the thirty-six month vesting period of the plan (2013 - $577,317 and $1,275,395); and $648,296 and $1,602,718 (non-cash expense) for the portion of the amortization of the fair value of outstanding stock options (2013 - $770,289 and $1,549,971). The Corporation has reserved 2,223,305 and issued 1,796,248 options that vest over a four-year period and expire in five years.

The options outstanding at September 30, 2014, have an exercise price in the range of $7.27 to $33.87 and a weighted average contractual life of 2.9 years (2013 – 3.8 years).

8. Fair Value of Financial Instruments

The Corporation's financial instruments as at September 30, 2014 and December 31, 2013 include cash and cash equivalents, trade and other receivables, promissory note receivable, Preferred LP and LLC units, foreign exchange forward contracts, accounts payable and accrued liabilities, and loans and borrowings. The fair value of cash and cash equivalents, accounts 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. The fair values of the available for sale financial assets (Preferred LP and LLC Units) 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. 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.

(b) A redemption or retraction value 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 was calculated using the formula specified in each of the Partnership agreements while considering an estimate of the current value of the private company to determine if there would be sufficient value to cover the liquidation amount.

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 September 30, 2014 and December 31, 2013, are measured at fair value on a recurring basis using level 1 or level 2 inputs.

The Corporation has no level 3 items and during the period ended September 30, 2014 there were no transfers between level 1 or level 2 classified assets and liabilities.

September 30, 2014		**Level 1**		**Level 2**		**Total**
Foreign exchange contracts	$	-	$	(588,074)	$	(588,074)
Preferred LP and LLC units		-		496,282,073		496,282,073
	$	-	$	495,693,999	$	495,693,999
December 31, 2013		**Level 1**		**Level 2**		**Total**
Foreign exchange contracts	$	-	$	(663,801)	$	(663,801)
Preferred LP and LLC units		-		433,988,295		433,988,295
	$	-	$	433,325,124	$	433,325,124

9. Commitments:

In 2009, the Corporation signed a seven-year lease at a new location that commenced December 1, 2009, ending November 30, 2016. The Corporation's annual commitment under this lease is as follows:

2014	$	43,974
2015		175,896
2016		161,238
	$	381,108

10. Subsequent event:

On November 13, 2014, the Corporation contributed another $10 million to Solowave to provide growth capital. Distributions on that $10 million will be $1.43 million for the next twelve months and will reset with the other annual distributions from Solowave starting on January 1, 2016.