

Alaris Royalty Corp. Receives Proposal Letter From CRA

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CALGARY, ALBERTA -- (Marketwired - Jan. 13, 2014) - [Alaris Royalty Corp.](#) ("Alaris" or the "Corporation") (TSX:AD) has received a proposal letter (the "Proposal Letter") wherein the Canada Revenue Agency (the "CRA") states that it intends to reassess Alaris and deny the deduction of certain non-capital losses claimed by Alaris for the taxation year ended July 14, 2009.

In management's view, the CRA's potential reassessment of Alaris, and certain of its recent reassessments of other Canadian companies, is part of a broader initiative on the CRA's part to challenge companies with respect to the use of tax assets. Alaris has received legal (tax) advice that it should be entitled to deduct the non-capital losses, and as such, Alaris is of the opinion that its tax filings to date are correct and will withstand any reassessment by the CRA. Accordingly, if the CRA reassesses Alaris as described in the Proposal Letter, Alaris will vigorously defend its tax filing position.

Any future reassessment of the Corporation's non-capital losses by the CRA on any of its tax filings to date would not affect the Corporation's current annualized dividend of \$1.44 per share, nor would it change Alaris' long-term strategy, even if the CRA's position was ultimately upheld. Alaris' current payout ratio of approximately 80% will allow it to pay both current, and future cash taxes while maintaining the current dividend rate. Alaris expects to fully utilize its current tax assets by mid-2015. Therefore, management has been managing Alaris' payout ratio to a target level so that upon the eventual utilization of all of its available tax assets, and its requirement to begin paying cash taxes in Canada, the dividend would be sustainable at its current level. This target is achieved at today's ratio of 80%.

If the CRA issues the notice of reassessment described in the Proposal Letter (the "Notice of Reassessment"), Alaris will have 90 days from the date the Notice of Reassessment is mailed to prepare and file a notice of objection. Alaris will be required to pay a deposit of 50% of the assessed tax liability (plus interest) at that time. Alaris' total assessed tax liability (as described in the Proposal Letter) would be approximately \$3.6 million and Alaris would be required to pay a deposit of approximately \$1.8 million on that amount, with the remaining amount not payable until the dispute with the CRA is resolved and only if the result is not in Alaris' favor. If the Corporation is reassessed in accordance with the Proposal Letter, it may also be reassessed with respect to the deduction of its non-capital losses in all of its tax filings subsequent to July 14, 2009. In such event, Alaris' aggregate total assessed tax liability (including interest) would be approximately \$25 million and the total aggregate deposits Alaris would be required to pay in order to contest such reassessments would be approximately \$12.5 million, with the remaining amount not payable until the dispute with the CRA is resolved and only if the result is not in Alaris' favor. Alaris has adequate capital available to it to pay the maximum amount of all tax liabilities it could incur if it was reassessed on all of its tax filings to date and if these reassessments were ultimately upheld through the tax adjudication process.

Alaris anticipates that legal proceedings through the CRA and tax courts would take considerable time to resolve. If Alaris is reassessed for any tax period, it firmly believes it will be successful in defending its position and therefore, any deposits paid to the CRA would be refunded, plus interest.

An updated corporate presentation will be available on Alaris' website at www.alarisroyalty.com.

About Alaris:

The Corporation provides alternative financing for a diversified group of private businesses ("Private Company Partners") in exchange for royalties or distributions from the Private Company Partners, with the principal objective of generating stable and predictable cash flows for dividend payments to its shareholders. Royalties or distributions from the Private Company Partners are structured as a percentage of a "top line" financial performance measure such as net revenue, gross profit, and same location sales.

Non IFRS Measures

Payout Ratio: The term "payout ratio" is a financial measure used in this news release that is not a standard measure under International Financial Reporting Standards. The Corporation's method of calculating payout ratio may differ from the methods used by other issuers. Therefore, the Corporation's payout ratio may not be comparable to similar measures presented by other issuers. Payout ratio means Alaris' annualized total dividends payable per share over the next twelve months divided by its expected net cash from operating activities over the next 12 months. The payout ratio should only be used in conjunction with the Corporation's annual audited and quarterly reviewed financial statements, which are available on SEDAR at www.sedar.com.

Forward-Looking Statements

This news release contains forward-looking statements as defined under applicable securities laws. Statements other than statements of historical fact contained in this news release may be forward-looking statements under applicable securities legislation, including, without limitation, management's expectations, intentions and beliefs concerning: Alaris' annualized dividend rate; the impact of proposed reassessment and anticipated reassessments on Alaris' cash flows, revenues, payout ratio, dividend and debt level under the Facility; the anticipated tax liabilities upon a successful reassessment by the CRA; the amount of any deposits Alaris may have to make to the CRA; the time to resolve the proposal and possible reassessments; and Alaris' access to capital to fund potential reassessment payments. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. To the extent any forward-looking statements herein constitute a financial outlook, including, without limitation, the estimated effect on Alaris' revenues and estimated payout ratio, they were approved by management as of the date hereof and have been included to assist readers in understanding management's current expectations regarding Alaris' financial performance and are subject to the same risks and assumptions disclosed herein. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur.

Statements containing forward-looking information by their nature involve numerous assumptions and significant known and unknown facts and uncertainties of both a general and a specific nature. Key assumptions include, but are not limited to assumptions that: the Private Company Partners will continue to grow and may require additional capital from Alaris in the future; the Canadian and U.S. economies will grow moderately over the next 12 to 24 months; interest rates will not rise in a material nature over the next 12 to 24 months; more private companies will require access to alternative sources of capital; that there will be no material changes in the operations of the Private Company Partners or the industries they operate in; and the Corporation will obtain required regulatory approvals on a timely basis. In determining the Corporation's expectations for economic growth, management primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

The forward-looking statements contained herein are subject to numerous known and unknown risks that may cause actual results to vary from those set forth in the forward-looking statements, including, but not limited to risks associated with: general economic conditions and changes in the financial markets; risks associated with the Private Company Partners and their respective businesses; a change in the ability of the Private Company Partners to continue to pay Alaris' preferred distributions; a material change in the operations of a Private Company Partner or the industries in which they operate; a failure to meet the guidance regarding a net increase in distributions from Private Company Partners having a January 1, 2014 reset date and the expected increase in distributions from LifeMark Health and Killick which have July 1, 2014 resets as provided in Alaris' January 6, 2014 press release; a failure to obtain required regulatory approvals on a timely basis or at all; changes in legislation and regulations and the interpretations thereof; a material change in Alaris' capital structure or capital available to the Corporation; and material adjustments to the unaudited internal financial reports provided to Alaris by the Private Company Partners. In addition, the information set forth under the heading "Risk Factors" in the Corporation's Annual Information Form dated March 13, 2013 (a complete copy of which can be found on SEDAR at www.sedar.com) identifies additional factors that could affect the operating results and performance of the Corporation and may cause the actual results of the Corporation to differ materially from those anticipated in forward-looking statements.

As forward-looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. Accordingly, readers are cautioned not to place undue reliance on any forward-looking information contained in this news release as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Statements containing forward-looking information reflect management's current beliefs and assumptions based on information in its possession on the date of this news release. Although management believes that the assumptions reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that such expectations will prove to be correct.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this news release are made as of the date of this news release and Alaris does not undertake or assume any obligation to update or revise such statements to reflect new events or circumstances except as expressly required by applicable securities legislation.

Neither the TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.

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