Viemed Healthcare, Inc.

Consolidated Financial Statements

For the Years Ended
December 31, 2018 and 2017

(Expressed in U.S. dollars)

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Independent Auditor's Report

To the Shareholders of Viemed Healthcare, Inc.:

Opinion

We have audited the consolidated financial statements of Viemed Healthcare, Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Murad Bhimani.

MNP LLP

Toronto, Ontario
February 26, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

VIEMED HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of U.S. Dollars)

	Note	As at December 31, 2018	As at December 31, 2017
ASSETS			
Current			
Cash and cash equivalents		$ 10,413	$ 5,098
Accounts receivable	2,12	8,839	9,781
Inventory	3	2,887	1,633
Prepaid expenses and other assets		824	489
Total current assets		$ 22,963	$ 17,001
Long-term			
Property and equipment	4	30,562	20,690
Total long-term assets		$ 30,562	$ 20,690
TOTAL ASSETS		$ 53,525	$ 37,691
LIABILITIES			
Current liabilities			
Trade payables		$ 5,884	$ 3,386
Income taxes payable		152	142
Accrued liabilities	8	7,551	5,082
Current portion of finance lease	5	3,031	4,381
Warrant conversion liability	7	363	158
Total current liabilities		$ 16,981	$ 13,149
Long-term liabilities			
Long-term accrued liabilities	8	1,117	—
Long-term finance lease	5	394	798
Total long-term liabilities		$ 1,511	$ 798
TOTAL LIABILITIES		$ 18,492	$ 13,947
SHAREHOLDERS' EQUITY			
Share capital	6, 8	71	67
Contributed surplus		5,390	2,688
Retained earnings		29,572	20,989
TOTAL SHAREHOLDERS' EQUITY		$ 35,033	$ 23,744
TOTAL LIABILTIES AND SHAREHOLDERS' EQUITY		$ 53,525	$ 37,691

Commitments (Note 9)
Subsequent events (Note 15)

APPROVED ON BEHALF OF THE BOARD:

signed "*Casey Hoyt*" signed "*Nitin Kaushal*"

The accompanying notes are an integral part of these consolidated financial statements

VIEMED HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Expressed in thousands of U.S. Dollars, except per share amounts)

	Note	Years Ended December 31, 2018	2017
Revenue		$ 65,271	$ 46,928
Cost of revenue	10	16,689	12,313
Gross margin		$ 48,582	$ 34,615
Selling, general and administrative	10	34,442	24,561
Stock-based compensation	8, 14	2,702	828
Depreciation	4	588	402
Loss on disposal of property and equipment		54	203
Loss on warrant conversion liability	7	205	158
Other expense		71	—
Net income before financing expenses and taxes		$ 10,520	$ 8,463
Financing expenses			
Interest expense, net of interest income	5	181	272
Net income before taxes		10,339	8,191
Provision for income taxes	11	162	15
Net income and comprehensive income		$ 10,177	$ 8,176
Net income per share			
Basic	13	$0.27	$0.22
Diluted	13	$0.26	$0.22
Weighted average number of common shares outstanding:			
Basic	13	37,892,118	37,909,628
Diluted	13	39,677,704	37,971,921

The accompanying notes are an integral part of these consolidated financial statements

VIEMED HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in thousands of U.S. Dollars, except shares outstanding)

	Number of shares outstanding	Share capital (Note 8)	Contributed surplus (Note 8)	Retained earnings	Total Shareholders' equity
Shareholders' equity, December 31, 2016	**37,909,628**	**$ 67**	**$ —**	**$ 12,813**	**$ 12,880**
Stock-based compensation - options			828		828
Settlement of intercompany balance from spin-off			1,860		1,860
Net Income				8,176	8,176
Shareholders' equity, December 31, 2017	**37,909,628**	**$ 67**	**$ 2,688**	**$ 20,989**	**$ 23,744**
Stock-based compensation - options			802		802
Stock-based compensation - restricted stock			1,900		1,900
Warrant exercise	1,890	4			4
Shares repurchased and cancelled under the Normal Course Issuer Bid	(410,703)	—		(1,594)	(1,594)
Net Income				10,177	10,177
Shareholders' equity, December 31, 2018	**37,500,815**	**$ 71**	**$ 5,390**	**$ 29,572**	**$ 35,033**

The accompanying notes are an integral part of these consolidated financial statements

VIEMED HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of U.S. Dollars)

	Note	Years Ended December 31, 2018	2017
Cash flows from operating activities			
Net income		$ 10,177	$ 8,176
Adjustments for:			
Depreciation	4	3,783	2,543
Bad debt expense	2	6,195	5,142
Share-based compensation	8	2,702	828
Change in fair value of warrant conversion liability		205	158
Loss on disposal of property and equipment		54	203
Net change in working capital			
Increase in accounts receivable		(5,253)	(10,130)
(Increase) decrease in inventory		(1,254)	5
Increase in trade payables		2,498	1,503
Decrease in trade payables - related parties		—	(603)
Increase in accrued liabilities		3,586	4,119
(Increase) decrease in income tax payable		10	142
Decrease other current assets		(335)	(62)
Net cash from operating activities		$ 22,368	$ 12,024
Cash flows from investing activities			
Purchase of property and equipment		(6,114)	(4,003)
Proceeds from sale of property and equipment		813	430
Net cash used in investing activities		$ (5,301)	$ (3,573)
Cash flows from financing activities			
Proceeds from exercise of warrants		4	—
Shares repurchased and cancelled under the Normal Course Issuer Bid		(1,594)	—
Repayments of finance lease liabilities		(10,162)	(7,234)
Repayments on long-term debt		—	(458)
Net cash used in financing activities		$ (11,752)	$ (7,692)
Net increase in cash and cash equivalents		5,315	759
Cash and cash equivalents at beginning of year		5,098	4,339
Cash and cash equivalents at end of year		$ 10,413	$ 5,098
Non-cash Transactions:			
Property and equipment financed through finance leases and long-term debt		$ 8,408	$ 6,381
Settlement of intercompany balance from spin-off[1]		$ —	$ 1,860

[1] Effective December 31, 2017, the spin-off date, accounts payable - related parties due to Protech Home Medical Corp ("PHM") (formerly Patient Home Monitoring Corp) and its affiliates was forgiven and settled as a capital contribution to Viemed Healthcare, Inc.

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of operations

On December 21, 2017, Viemed Healthcare, Inc. ("the Company") executed Asset and Share Purchase Agreements as well as an Arrangement Agreement (Arrangement) with Protech Home Medical Corp. ("PHM") (formerly Patient Home Monitoring Corp.) and was spun-out as a separate public company that owns a 100% interest in Home Sleep Delivered, L.L.C ("HSD") and Sleep Management, L.L.C dba Viemed ("Viemed") through the U.S. holding company Viemed Inc. Prior year financial results include the combined results of Viemed and HSD. Effective the spin-out date, the consolidated financial statements include all above referenced entities.

The Company, through its subsidiaries, provides in-home health care solutions to U.S. patients. Viemed offers customers requiring respiratory services and related equipment an appropriate selection of home medical products including non-invasive ventilators, positive airway pressure ("PAP") machines and oxygen units, as well as the services of experienced respiratory therapists. HSD provides in-home sleep apnea testing, allowing a patient to determine the existence of sleep apnea at home at a fraction of the cost of the traditional sleep lab environment. The Company was incorporated under the Business Corporations Act (British Columbia) on December 14, 2016. The Company's registered and records office is located at Royal Centre, Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7 and its corporate office is located at 202 N. Luke Street, Lafayette, Louisiana 70506.

The Company's shares are traded on the Toronto Stock Exchange under the symbol VMD. The stock is also traded on the OTC Market under the symbol VIEMF.

2. Summary of significant accounting policies

(a) *Unreserved statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on February 26, 2019.

The consolidated financial statements, which are presented in U.S. dollars, have been prepared under the historical cost convention, as modified by the measurement at fair values of certain financial assets and financial liabilities.

(b) *Reporting currency*

All values are in U.S. dollars ($) unless specifically indicated otherwise. Canadian dollars are indicated as CAD$.

(c) *Functional currency*

Management has exercised judgment in selecting the functional currency of each of the entities that it combines based on the primary economic environment in which the entity operates and in reference to the various indicators including the currency that primarily influences or determines the selling prices of goods and services and the cost of production, including labor, material and other costs and the currency whose competitive forces and regulations mainly determine selling prices. The Company's functional currency was determined to be the U.S. dollar, which was determined using management's assumption that the primary economic environment which it will derive its revenue and expenses incurred to generate those revenues is the United States.

(d) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions have been eliminated. The Company's consolidated entities, their functional currencies and ownership percentages are as follows:

Subsidiary	Functional currency	Ownership
Home Sleep Delivered, LLC	USD	100%
Sleep Management, LLC	USD	100%
Viemed Inc.	USD	100%

(e) ***Use of estimates***

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The following are the significant estimates that the Company has made in preparing the consolidated financial statements.

a. ***Useful lives of property and equipment***

Property and equipment are amortized on a straight-line basis over their estimated useful lives. The Company reviews these estimates on an annual basis, or more frequently if events during the year indicate that a change may be required, with consideration given to technological obsolescence and other relevant business factors. A change in management's estimate could impact depreciation expense and the carrying value of property and equipment.

b. ***Allowance for doubtful accounts***

The Company estimates that a certain portion of receivables from customers may not be collected and maintains an allowance for doubtful accounts. The Company evaluates the net realizable value of accounts receivable as of the consolidated statement of Financial Position date. Specifically, the Company considers historical realization data including current and historical cash collections, accounts receivable aging trends, other operating trends and relevant business conditions. Because of continuing changes in the health care industry and third party reimbursement, it is possible that our estimates could change, which could have a material impact on our operations and cash flows. If circumstances related to certain customers change or actual results differ from expectations, the Company's estimate of the recoverability of receivables could fluctuate from that provided for in the consolidated financial statements. A change in estimate could impact bad debt expense and accounts receivable.

	As at December 31, 2018	As at December 31, 2017
Balance, beginning of year	$ 3,060	$ 3,069
Increase in provision	6,195	5,142
Amounts written off	(4,989)	(5,151)
Balance, end of period	$ 4,266	$ 3,060

c. ***Provisions***

The Company recognizes provisions when it has a legal or constructive obligation as a result of past events for which it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

d. *Deferred Tax Assets and Liabilities*

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company computes deferred tax assets and liabilities in respect of taxes that are based on taxable profit. Taxable profit is understood to be a net, rather than gross, taxable amount that gives effect to both revenues and expenses. Taxable profit will often differ from accounting profit and management may need to exercise judgment to determine whether some taxes are income taxes (subject to deferred tax accounting) or operating expenses.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the differences are expected to be recovered or settled. The determination of the ability of the Company to utilize tax loss carry forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is “probable” that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, commodity prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

(f) *Significant accounting judgments*

The following are the critical judgments, apart from those involving estimations, that have been made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

a. *Segment reporting*

IFRS 8 requires operating segments to be determined based on the Company’s internal reporting to the Chief Operating Decision Maker (“CODM”). The CODM has been determined to be the Company’s Chief Executive Officer as he is primarily responsible for the allocation of resources and the assessment of performance.

The CODM uses operating profit, as reviewed at monthly business review meetings, as the key measure of the Company’s results as it reflects the Company’s underlying performance for the period under evaluation. Operating profit is defined as profit on operations before interest, taxes, stock-based compensation, and depreciation.

The CODM’s primary focus for review and resource allocation is the Company as a whole and not any component part of the business. All revenue streams for the business are managed centrally by functional teams (Demand, Supply, Procurement and Finance) that have responsibility for the whole of the Company’s product portfolio. Although some discrete financial information is available to provide insight to the management team of the key performance drivers, the product group profit is not part of the CODM’s review. Having considered these factors, management has judged that the Company comprises one operating segment under IFRS 8. As such, the disclosures required under IFRS 8 for the consolidated financial statements are shown on the face of the consolidated statements of income and comprehensive income and consolidated statements of financial position.

b. *Valuation of derivative instruments*

Management has exercised judgment in the determination of the fair value of the derivative instruments. Estimating fair value for the derivatives requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the instrument. This estimate also requires judgment in the determination of the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility and dividend yield and making other assumptions about them.

(g) *Financial Instruments*

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers. Adoption of these standards had no significant financial impact on the Company's financial statements and accordingly, the information presented for 2017 has not been restated. The Company has adopted the additional disclosures required under these standards.

IFRS 9, Financial Instruments replaced the multiple classification and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, and set out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost; fair value through other comprehensive income; and fair value through profit and loss. This classification of financial assets under IFRS 9 reflects the business model in which assets are managed and their contractual cash flow characteristics. IFRS 9 eliminated the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retained the requirements in IAS 39 for the classification and measurement of financial liabilities.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. As required by IFRS 9, at the date of initial application, the Company classified its financial assets and financial liabilities at fair value. The following table outlines the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at January 1, 2018:

Financial Instruments	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Fair value
Accounts receivable and other current assets	Loans and receivables	Fair value
Trade payables and other current liabilities	Other financial liabilities	Other financial liabilities
Long term liabilities	Other financial liabilities	Other financial liabilities

IFRS 9 also replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (“ECL”) model to calculate the impairment of financial assets. Application of the ECL model had no significant impact on the Company’s financial statements.

The adoption of IFRS 9 has not had a significant effect on the Company’s financial assets and financial liabilities, and did not result in a change in the carrying value of any financial instruments on the transition date.

a. Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired.

Fair value through profit or loss (“FVTPL”) - This category is comprised of derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss. The Company classifies its cash and cash equivalents as fair value through profit and loss.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Loans and receivables are recognized at the date the Company becomes party to the contract and are recognized at fair value. Subsequent to the recognition date, loans and receivables are measured at amortized costs. The Company classifies its accounts receivable as receivables.

b. Financial liabilities

The Company classifies financial liabilities as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’. The financial liabilities, consisting of trade payables, accounts payable - related parties, accrued liabilities, loans payable, conversion liability warrants, and obligations under finance leases, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, recognizing interest expense on an effective yield basis.

Warrants with an exercise price denominated in a foreign currency and conversion features denominated in a foreign currency are recorded at fair value and classified as a derivative financial liability. The liability is initially measured at estimated fair value with subsequent changes in fair value recorded as a gain or loss in the consolidated statement of income and comprehensive income. As the warrants are exercised or debt converted, the value of the recorded liability will be included in share capital along with the proceeds from the exercise. If these warrants expire, the related liability is reversed through the consolidated statement of income and comprehensive income.

(h) Impairment of assets

a. Financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had such a negative effect on the estimated future cash flows of the asset that the carrying value of the asset can no longer be recovered.

If a financial asset carried at amortized cost is impaired, the impairment is measured as the difference between the carrying amount, or amortized cost of the asset, and the present value of the future cash flows discounted at the instrument's original effective interest rate. The impairment is recognized in earnings or loss. An impairment loss may be reversed if the reversal can be objectively related to an event occurring after the impairment loss recognition. For financial assets measured at amortized cost, the reversal is recognized in earnings or loss.

Individually significant financial assets are tested for impairment on an individual basis. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b. Impairment of non-financial assets

Property and equipment is also tested for impairment at each reporting period if impairment indicators exist. Property and equipment impairment is assessed at the Cash Generating Unit ("CGU") level.

When the carrying amount of CGU or group of CGUs exceeds their recoverable amount, the CGU or group of CGUs is considered impaired and written down to its recoverable amount. Recoverable amount is the higher of (i) the fair value less costs to sell and (ii) the value in use.

Fair value less costs to sell is determined as the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from the asset or CGU discounted using a pre-tax discount rate reflecting market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized within the statement of income and comprehensive income. A previously recognized impairment loss may be reversed if the assumptions used to determine the recoverable amount have changed since the impairment loss recognition. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and depletion, if no impairment loss had been recognized.

(i) *Cash and cash equivalents*

Cash and cash equivalents consist of cash and temporary investments that are redeemable on demand or with an original maturity of three months or less that are readily convertible to known amounts of cash that are subject to insignificant risk or change.

(j) *Accounts receivable*

Accounts receivable are recorded at the time revenue is recognized. The amount billed is the amount the Company believes is the allowable charge as determined by the payer (i.e. MediCare, insurance companies, etc.). These billings can be challenged by the payer. These modified amounts will be the total payment for the services, unless the Company decides to appeal the determination. The historical rate of modifications and appeals results has been used to determine the allowance for bad debts.

Accounts receivable are regularly reviewed for collectability and an allowance is credited to cover the estimated bad debts and billing modifications. The accounts receivable are presented on the Consolidated Statements of Financial Position net of the allowance for doubtful accounts. It is possible that the estimates of the allowance for doubtful accounts could change, which could have a material impact on our operations and cash flows.

The Company writes off receivables when the likelihood for collection is remote, and when the Company believes collection efforts have been fully exhausted and it does not intend to devote additional resources in attempting to collect. The write-offs are charged against the allowance for doubtful accounts.

(k) *Inventory*

Inventory consists primarily of respiratory equipment and supplies, serialized and non-serialized. The Company's serialized inventory is either rented out by a patient on a monthly basis or purchased. If the equipment is rented by the patient, the cost of such equipment is transferred to property and equipment, where the cost is depreciated over the life of the asset. If the equipment is purchased, the cost of such equipment is expensed through cost of revenue. The Company values inventory at the lower of cost and net realizable value. The inventory value is determined using the first-in first-out method. Obsolete and unserviceable inventories are valued at estimated net realizable value.

(l) *Property and equipment*

Property and equipment is stated at cost less accumulated depreciation. Major renewals and improvements are charged to the property accounts, while maintenance and repairs, which do not extend the useful life of the respective assets, are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of the assets are as follows:

Description	Estimated Useful Lives
Medical Equipment	2 - 10 Years
Computer Equipment	5 Years
Office Furniture & Fixtures	5-10 Years
Leasehold Improvements	Life of Lease
Vehicles	5 Years
Building	15 Years
Land	Indefinite Life

Depreciation of medical equipment commences once it has been deployed to a patient's address and put in use. Property and equipment and other non-current assets with definite useful lives are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

(m) *Revenue recognition*

Effective January 1, 2018, the Company adopted IFRS 15. IFRS 15, *Revenue from Contracts with Customers*, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services, whether at a point in time or over time. IFRS 15 did not have a significant impact on the Company's accounting policies and had no financial impact on the consolidated financial statements.

Revenue from a customer consists of any combination of the sale and rental of medical equipment and / or patient medical services. Revenues are billed to and collections received from Medicare, third-party insurers, co-insurance and patient-pay. The Company's contracts with customers often include multiple products and services and the Company evaluates these arrangements to determine the unit of accounting for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement and accounted for as separate performance obligation. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. Where a contract consists of more than one performance obligation, revenue is allocated to each based on standalone selling price of the goods or services underlying the performance obligations. Under IFRS 15, for sales and rentals, the Company considers the performance obligation met when the customer has the equipment, and revenue received for rentals is recognized over time over the respective rental period.

Revenue is recognized net of contractual adjustments based on an evaluation of expected collections resulting from the analysis of current and past due accounts, past collection experience in relation to amounts billed and other relevant information. Contractual adjustments result from the differences between the rates charged for services and reimbursements by government-sponsored healthcare programs and insurance companies for such services. Interest revenue is recognized as earned.

(n) *Income taxes*

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. The Company’s income tax provisions reflect management’s interpretation of country and state tax laws. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and may remain uncertain for several years after their occurrence. The Company recognizes assets and liabilities for taxation when it is probable that the Company will receive refunds or pay taxes to the relevant tax authority. Where the final determination of tax assets and liabilities is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxes provision in the period in which such determination is made. Changes in tax law or changes in the way tax law is interpreted may also impact the Company’s effective tax rate as well as its business and operations.

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying value of assets and liabilities and their respective income tax bases. Deferred income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The calculation of current and deferred income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment concerning the carrying value of assets and liabilities. The current and deferred income tax assets and liabilities are also impacted by expectations about future operating results and the timing of reversal of temporary differences as well as possible audits of tax filings by regulatory agencies. Changes or differences in these estimates or assumptions may result in changes to the current and deferred tax assets and liabilities on the consolidated statements of financial position and a charge to or recovery of income tax expense.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

See Note 11 for details on income taxes recognized.

(o) ***Changes in significant accounting policies***

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and replaced IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 was effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 on January 1, 2018 without restating comparative information and the adoption of IFRS 9 did not have any material impact on the consolidated financial statements.

IFRS 15 was issued by IASB in May 2014 and replaced IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services, whether at a point in time or over time. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it was effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 15 on January 1, 2018 without restating comparative information and the adoption of IFRS 15 did not have any material impact on the consolidated financial statements.

(p) ***Recently issued accounting pronouncements***

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretation Committee ("IFRIC"). The following have not yet been adopted and are being evaluated to determine their impact on the Company. The Company intends to adopt them, if applicable, only on their effective date.

In January 2016, the IASB issued IFRS 16, Leases, to set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease agreement. The standard supersedes IAS 17, Leases, and other lease related interpretations, eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. The standard will be effective on January 1, 2019 for the Company with earlier application permitted. When the Company is the lessee, it is expected that the application of IFRS 16 will result in statement of financial position recognition of most of its lease agreements that are currently considered operating leases, which are primarily for the rental of premises.

The Company will adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company is assessing the impact of this standard on its financial statements and expects that on adoption of the standard, there will be an increase to assets and liabilities, as the Company will be required to record a right-of-use asset and a corresponding lease liability on its statements of financial position. In addition, the Company expects a decrease to its facility and equipment rental costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation and amortization (due to amortization of the right-of-use asset).

3. Inventory

	As at December 31, 2018	As at December 31, 2017
Serialized	$ 1,833	$ 883
Non-serialized	1,054	750
Total inventory	$ 2,887	$ 1,633
	For the years ended	
	December 31, 2018	December 31, 2017
Inventory Expensed	$ 3,152	$ 2,576

4. Property and equipment

Cost	Medical equipment	Furniture and equipment	Land and building	Leasehold improvements	Vehicles	Total
Balance December 31, 2016	**$ 14,458**	**$ 811**	**$ —**	**$ 146**	**$ 1,562**	**$ 16,977**
Additions	10,295	76	—	31	125	10,527
Disposals	(1,070)	(1)	—	—	(14)	(1,085)
Balance December 31, 2017	**$ 23,683**	**$ 886**	**$ —**	**$ 177**	**$ 1,673**	**$ 26,419**
Additions	13,054	288	631	79	470	14,522
Disposals	(1,196)	—	—	—	(361)	(1,557)
Balance December 31, 2018	**$ 35,541**	**$ 1,174**	**$ 631**	**$ 256**	**$ 1,782**	**$ 39,384**

Accumulated depreciation	Medical equipment	Furniture and equipment	Land and building	Leasehold improvements	Vehicles	Total
Balance December 31, 2016	**$ 2,425**	**$ 323**	**$ —**	**$ 51**	**$ 695**	**$ 3,494**
Depreciation	2,141	121	—	27	254	2,543
Disposals	(304)	—	—	—	(4)	(308)
Balance December 31, 2017	**$ 4,262**	**$ 444**	**$ —**	**$ 78**	**$ 945**	**$ 5,729**
Depreciation	3,195	276	11	27	274	3,783
Disposals	(426)	—	—	—	(264)	(690)
Balance December 31, 2018	**$ 7,031**	**$ 720**	**$ 11**	**$ 105**	**$ 955**	**$ 8,822**

Net Book value	Medical equipment	Furniture and equipment	Land and building	Leasehold improvements	Vehicles	Total
Balance December 31, 2016	**$ 12,033**	**$ 488**	**$ —**	**$ 95**	**$ 867**	**$ 13,483**
Balance December 31, 2017	**$ 19,421**	**$ 442**	**$ —**	**$ 99**	**$ 728**	**$ 20,690**
Balance December 31, 2018	**$ 28,510**	**$ 454**	**$ 620**	**$ 151**	**$ 827**	**$ 30,562**

Depreciation in the amount of $3,195,000 is included in cost of revenue (December 31, 2017 - $2,141,000). Included in medical equipment above is equipment acquired under finance lease obligations whose cost and accumulated depreciation at December 31, 2018 total $7,943,000 and $1,100,000, respectively. At December 31, 2017, cost and accumulated depreciation on equipment acquired under finance lease obligations was $9,390,000 and $1,166,000, respectively.

5. Long-term debt and finance leases

	As at December 31, 2018		As at December 31, 2017	
Senior credit facility [a]	$	—	$	—
Finance lease obligations [b]		3,425		5,179
Less:				
Current portion of finance lease obligations	$	(3,031)	$	(4,381)
Net long-term debt	**$**	**394**	**$**	**798**

(a) The Company has a commercial business loan agreement with Whitney Bank, a Mississippi state chartered bank, for term loans and lines of credit for up to $5.0 million that will expire in 2020. This facility bears interest at one month ICE libor plus 3.00% per annum from the date of advance until paid and is secured by substantially all of the Company's assets. There were no borrowings against this credit facility at December 31, 2018 and 2017.

(b) Various finance leases for equipment with an implied interest rate at fixed rates between 0% - 12.85%, secured by equipment, due between 2019 and 2023. The Company's weighted average interest rate for all liabilities outstanding as of December 31, 2018 was 1.78% (December 31, 2017 - 1.95%).

Minimum payments and interest for finance lease obligations required over the next five years are as follows:

	Principal Payments		Interest Payments	
Less than one year (current portion)	$	3,031	$	79
Between one and two years		383		20
Between two and five years		11		—
Total	**$**	**3,425**	**$**	**99**

Interest expense related to these obligations for the twelve months ended ended December 31, 2018 amounted to $193,000 (December 31, 2017 - $272,000).

6. Capital Management

The Company considers its capital to be shareholders' equity, which is comprised of share capital, contributed surplus, and retained earnings, which was $35,033,000 at December 31, 2018 (December 31, 2017 - $23,744,000) along with the debt which totaled $3,425,000 at December 31, 2018 (December 31, 2017 - $5,179,000). The Company's objective when managing its capital is to seek continuous improvement in the return to its shareholders while maintaining a low to moderate tolerance level for risk. The Company meets its capital needs through a variety of finance leasing and bank debt. Funds are primarily secured through internally generated cash from operations. There have been no changes to management's approach to managing its capital during the years ended December 31, 2018 and 2017.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

7. Financial instruments

Fair value hierarchy

The Company classifies and discloses fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets and liabilities;
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and cash equivalents are measured using level 1 inputs.

Pursuant to the Arrangement with PHM effective December 21, 2017, PHM common share purchase warrant holders each received one tenth (1/10) of one warrant to purchase one Viemed share. The warrants conversion feature is denominated in Canadian dollars which is different from the functional currency of the Company (U.S. dollars). The conversion feature is treated, per IFRS Fair Value Measurement requirements, as a derivative financial liability and the fair value movement during the period is recognized in the consolidated statement of income and comprehensive income. While the gain resulting from fair value measurement has no effect on (1) the cash position of the Company; (2) management's analysis and decision making in execution and strategy of the business; (3) the financial health of the Company; (4) the future potential for revenue and profit growth and ability to finance that growth, IFRS rules dictate that these items be included in the year-end financial statements. The change in the value of warrants has been recorded as a loss on derivative financial liability in the Consolidated Statements of Income and Comprehensive Income.

The fair value of the warrants at December 31, 2018 and 2017 was calculated using the Black-Scholes option pricing model with the following assumptions

Risk-free interest rate	1.85%
Expected volatility	75.63%
Expected life of warrants	0.67 years
Expected dividend yield	Nil

No warrants were issued during the year ended December 31, 2018. There were 2,601,000 warrants issued during the year ended December 31, 2017. During the year ended December 31, 2018, 1,890 warrants were exercised at a weighted average price of $2.60 (CAD$) per common share.

Warrant Conversion Liability		
Balance December 31, 2016	**$**	**—**
Warrants issued		158
Balance December 31, 2017	**$**	**158**
Warrants issued		—
Loss on warrant conversion liability		205
Balance December 31, 2018	**$**	**363**

8. Share Capital

(a) *Authorized share capital*

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. The preferred shares issuable in series will have the rights, privileges, restrictions, and conditions assigned to the particular series upon the Board of Directors approving their issuance.

(b) *Issued and outstanding share capital*

The Company has only one class of stock outstanding, common share. At December 31, 2018, there were 37,500,815 million common shares outstanding (December 31, 2017 - 37,909,628). Common shares are classified as equity.

On November 26, 2018, the Company announced that the Toronto Stock Exchange (the "TSX") had accepted the Company's notice of intention to make a Normal Course Issuer Bid (the "NCIB") for its common shares in compliance with the requirements of the TSX. As of November 29, 2018, the Company was able to commence making purchases of up to a maximum of 1,875,575 common shares, which represented approximately 5% of the Company's issued and outstanding common shares at the time. The NCIB covers the period from November 29, 2018 to November 28, 2019.

For the period ended December 31, 2018, the Company re-purchased and cancelled 410,703 common shares pursuant to the NCIB at a cost of $1,595,000. The Company's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of stated capital was $1,594,000 and was recognized as a reduction to retained earnings.

Pursuant to the Arrangement with PHM effective December 21, 2017, PHM option holders, who are to remain employees of Viemed, each received one tenth (1/10) of one option to purchase one Viemed share, and PHM common share purchase warrant holders each received one tenth (1/10) of one warrant to purchase one Viemed share.

The effects of these issuances are illustrated below:

(c) *Warrants outstanding and exercisable*

Year issued	Date of expiry	Type	Number of warrants (000's)		Weighted average exercise price (CAD$)
2017	August 27, 2019	Warrant	177	$	2.60
Total			**177**	**$**	**2.60**

Warrants Continuity Schedule

	Number of warrants (000's)		Weighted average exercise price (CAD$)
Balance December 31, 2016	**—**	**$**	**—**
Issued	2,601	$	9.74
Balance December 31, 2017	**2,601**	**$**	**9.74**
Exercised	(2)	$	2.60
Expired	(2,422)	$	10.27
Balance December 31, 2018	**177**	**$**	**2.60**

During the year ended December 31, 2018, 1,890 warrants were exercised at a weighted average price of $2.60 (CAD$) per common share.

(d) *Stock-based compensation*

The Company accounts for stock-based compensation, including stock options and restricted stock units, using the fair value method as prescribed by IFRS 2. Under this method, the fair value of stock options and restricted stock units at the date of grant is amortized over the vesting period and the offsetting credit is recorded as an increase in contributed surplus.

For the year ended December 31, 2018, the Company recorded stock-based compensation expense of $2,702,000 (December 31, 2017 - $828,000). A summary of stock-based compensation is provided below:

	For the years ended			
	December 31, 2018		December 31, 2017	
Stock-based compensation - options	$	802	$	828
Stock-based compensation - restricted stock		1,900		—
Total	$	2,702	$	828

(e) *Options*

The Company has a stock option plan, which it uses for grants to directors, officers, and employees. Options granted under the plan are non-assignable and may be granted for a term not exceeding ten years. The Company accounts for stock options using the fair value method as prescribed by IFRS 2. Under this method, the fair value of stock options at the date of grant is amortized over the vesting period and the offsetting credit is recorded as an increase in contributed surplus. Stock options generally either vest immediately or annually over a three-year period. A summary of stock options is provided below:

	Number of options (000's)	Weighted average exercise price (CAD$)	
Balance December 31, 2016	**—**	**$**	**—**
Issued	878	$	4.31
Balance December 31, 2017	**878**	**$**	**4.31**
Issued	696	$	2.27
Expired / Forfeited	(29)	$	4.43
Balance December 31, 2018	**1,545**	**$**	**3.39**

The Company had 29,000 stock options fofeited during the year ended December 31, 2018 with a weighted average exercise price of $4.43. As of December 31, 2018, the Company had 851,000 exercisable stock options outstanding with a weighted average exercise price of CAD $4.30.

The fair value of the stock options has been charged to the statement of income and comprehensive income and credited to contributed surplus over the proper vesting period, using the Black-Scholes option pricing model calculated using the following assumptions for issuances during the year:

Share price	$	2.24 (CAD$)
Risk-free interest rate		2.27%
Expected volatility		92.90%
Forfeiture rate		—%
Expected life of options		10 Years
Expected dividend yield		Nil

(f) *Restricted stock units*

The Company has a restricted stock unit plan, which it uses for grants to officers, and employees. Restricted stock units granted under the plan are non-assignable and may be granted for a term not exceeding ten years. The Company accounts for restricted stock units using the fair value method as prescribed by IFRS 2. Under this method, the fair value of restricted stock units at the date of grant is amortized over the vesting period and the offsetting credit is recorded as an increase in contributed surplus. Restricted stock units vest annually over a three-year period. A summary of restricted stock units is provided below:

	Number of Restricted Stock Units (000's)	Weighted average grant price (CAD$)
Balance December 31, 2016	**—**	**$ —**
Issued	—	$ —
Balance December 31, 2017	**—**	**$ —**
Issued	1,774	$ 2.41
Expired / Forfeited	(59)	$ 2.25
Balance December 31, 2018	**1,715**	**$ 2.41**

The fair value of the restricted stock units has been charged to the consolidated statements of income and comprehensive income and credited to contributed surplus over the proper vesting period, using a valuation method with the following assumptions:

	As at December 31, 2018
Share price	$ 2.25 - 5.18 (CAD$)
Forfeiture rate	—%
Expected life of restricted stock units	1 - 3 Years
Expected dividend yield	Nil

(g) *Phantom share units*

The Company has a phantom share unit plan, which it uses for grants to directors, officers, and employees. Phantom share units granted under the plan are non-assignable and are settled in cash at vesting. The Company accounts for phantom share units using the liability accounting method. Under this method, the fair value of phantom share units at the date of grant is amortized over the vesting period and the offsetting credit is recorded as an increase in other accrued liabilities. Phantom share units vest annually over a three-year period. A summary of phantom share units is provided below:

	Number of Phantom Share Units (000's)	Weighted average price (CAD$)
Balance December 31, 2016	**—**	**$ —**
Issued	—	$ —
Balance December 31, 2017	**—**	**$ —**
Issued	1,793	$ 4.60
Expired / Forfeited	(101)	$ 4.60
Balance December 31, 2018	**1,692**	**$ 4.60**

The fair value of the phantom share units has been charged to the consolidated statements of income and comprehensive income and credited over the proper vesting period to phantom share unit liability which is included in accrued liabilities and long-term accrued liabilities, using a valuation method with the following assumptions:

		As at December 31, 2018
Share price	$	5.23 (CAD$)
Forfeiture rate		8% - 20%
Remaining life of phantom share units		0.5 - 3 Years
Calculated fair value of phantom share units	$	2,593,000

The total liability associated with phantom share units at December 31, 2018 is $2,593,000, with $1,117,000 of this balance included in long-term accrued liabilities and the remaining portion in current accrued liabilities.

9. Commitments

Leases

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lesser of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. The associated lease liability is drawn down over the life of the lease by allocating a portion of each lease payment to the liability with the remainder being recognized as finance charges.

Leases that do not transfer the risks and rewards of ownership to the Company are treated as operating leases and are expensed as incurred.

(a) ***Operating leases***

The Company leases certain facilities under the terms of non-cancelable operating leases. Future payments pursuant to these commitments are as follows:

		As at December 31, 2018
Less than 1 year	$	343
Between 1 and 4 years		922
Five years or more		306
Total	**$**	**1,571**

10. Expenses by nature

	For the years ended			
		December 31, 2018		December 31, 2017
Included in cost of revenue:				
Inventory expenses (Note 3)	$	3,152	$	2,576
Operating leases		965		1,161
Depreciation of medical equipment (Note 4)		3,195		2,141
Direct employee salary and benefits		9,131		6,168
Other		246		267
Total cost of revenue	**$**	**16,689**	**$**	**12,313**
Included in selling, general, and administrative:				
Employee salary and benefits (Note 14)	$	19,498	$	14,115
Auto		953		700
Bad debt expense (Note 2)		6,195		5,142
Facilities		1,152		891
Travel, Meals, & Entertainment		1,614		1,056
Office Expense		1,283		804
Professional Fees		770		426
Public company expense		1,044		—
Insurance		316		240
Legal		683		528
Licenses & Fees		174		104
Marketing		268		162
Other		492		393
Total selling, general, and administrative	**$**	**34,442**	**$**	**24,561**

11. Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes are measured using the current or substantively enacted tax rates expected to apply when the differences reverse. A deferred tax asset is recognized to the extent that the recoverability of deferred income tax assets is considered probable.

Deferred tax

The following table reconciles income taxes calculated at combined U.S. federal and state tax rates with the income tax expense (benefit) in the financial statements:

	Year ended December 31, 2018	Year ended December 31, 2017
Net income before income taxes [(a)]	$ 10,339	$ 8,191
Statutory income tax rate	25.9%	40%
Computed provision for income taxes	$ 2,677	$ 3,276
Permanent differences	327	530
True up re prior years	508	(2,114)
Tax rate changes	(1,161)	8,301
Tax recovered on losses carried back	—	—
Changes in deferred tax assets not recognized	(2,189)	(9,978)
Provision for income taxes	$ 162	$ 15

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Deferred Income Taxes

The Company's deferred income tax assets (liabilities) are comprised of the following:

	Year ended December 31, 2018	Year ended December 31, 2017
Goodwill [(a)]	$ 6,196	$ 2,475
Property and equipment	(6,196)	(2,475)
Net deferred tax asset (liability)	$ —	$ —

[(a)] The Company elected to report the acquired assets at fair value at the time of the Company's acquisition by PHM in 2015, and thus carries a goodwill asset for tax purposes subsequent to the transaction. The goodwill is amortized over 15 years for tax purposes.

Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	Year ended December 31, 2018	Year ended December 31, 2017
Net operating losses - US	$ 3,783	$ 5,022
Non-capital losses - CAD	11	—
Goodwill	31,688	50,145
Allowance for doubtful accounts	4,266	3,060
Accrued compensation and other	141	151
Accrued phantom stock	2,593	—
Stock-based compensation	3,529	—
UNICAP	72	490
481(a) adjustment	40	29

The Company has US loss carryforwards that expire as noted in the table below. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company has US loss carryforwards with the following expiry dates. These net operating losses are subject to limitation on use:

	Year ended December 31, 2018
Expiring in 2034	$ 1,274
Expiring in 2037	2,509

The Company has Canadian non-capital income tax losses with the following expiry date:

	Year ended December 31, 2018
Expiring in 2038	$ 11

12. Fair value and financial risk factors

Risk management

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Fair values

The Company has designated its cash and cash equivalents as FVTPL which are measured at fair value. Fair value of cash and cash equivalents is determined based on transaction value and is categorized as a Level One measurement.

- Level One - includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two - includes inputs that are observable other than quoted prices included in Level One.
- Level Three - includes inputs that are not based on observable market data.

As at December 31, 2018 and December 31, 2017 both the carrying and fair value amounts of the Company's cash and cash equivalents, accounts receivable, trade payables, accrued liabilities, warrant liability, and the current portion of finance leases are approximately equivalent due to their short-term nature.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk are primarily cash and accounts receivable. Each subsidiary places its cash with one major financial institution. At times, the cash in the financial institution is temporarily in excess of the amount insured by the Federal Deposit Insurance Corporation. Substantially all accounts receivable are due under fee-for-service contracts from third party payors, such as insurance companies and government-sponsored healthcare programs, directly from patients or for rebates due from manufacturers. Receivables generally are collected within industry norms for third-party payors and from manufacturers. The Company continuously monitors collections from its clients and maintains an allowance for bad debts based upon lifetime expected credit losses.

As of December 31, 2018, no one customer represented more than 10% of outstanding accounts receivable. The Company does have receivables at December 31, 2018 from Medicare and Medicaid, representing 47% and 13%, respectively, and 68% combined, of total outstanding receivables (December 31, 2017 - 84%). As these receivables are both from government programs, there is very little credit risk associated with these balances. The Centers for Medicare and Medicaid Services ("CMS") routinely audits

insurance payments in the normal course of business. At December 31, 2018, the Company had approximately $1.7 million in over ninety days outstanding accounts receivable related to payments held under a CMS audit that was concluded during the period. The Company expects to receive payment for substantially all of these claims.

Accounts receivable aging for each reporting period is as follows:

	Current	30-60	60-90	Over 90	Total accounts receivable	Allowance for doubtful accounts
December 31, 2018	$ 5,241	$ 1,451	$ 956	$ 5,457	$ 13,105	$ 4,266
December 31, 2017	$ 4,531	$ 2,761	$ 2,750	$ 2,799	$ 12,841	$ 3,060

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due by continuously monitoring actual and budgeted cash flows, and monitoring financial market conditions for signs of weakness.

As of December 31, 2018, the Company faced no material liquidity risk and is able to meet all of its current financial obligations as they become due and payable. The Company had $16,981,000 of current liabilities (December 31, 2017 - $13,149,000) that are due within one year but had $22,963,000 of current assets (December 31, 2017 - $17,001,000) in addition to positive cash flow.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with registered US financial institutions. The Company considers this risk to be immaterial. The interest on the long-term debt and finance leases are not subject to cash flow interest rate risk as these instruments bear interest at fixed rates.

13. Earnings per share

Income per common share is calculated using the combined earnings for the year divided by the weighted average number of shares outstanding during the year. Diluted income per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common share by assuming the proceeds received from the exercise of stock options and warrants are used to purchase common shares at the prevailing market rate.

The following reflects the earnings and share data used in the basic and diluted earnings per share computations:

	For the years ended	
	December 31, 2018	December 31, 2017
Net income attributable to members / shareholders	$ 10,177	$ 8,176
Basic number of shares	37,892,118	37,909,628
Basic earnings per share	$ 0.27	$ 0.22
Diluted weighted average number of shares	39,677,704	37,971,921
Diluted earnings per share	$ 0.26	$ 0.22

14. Related party transactions and balances

On August 1, 2015, the Company entered a ten-year triple net lease agreement for office space with a rental company that is affiliated with the Company's CEO and President, Casey Hoyt and Mike Moore. Rental payments under this lease agreement are $18,000 per month, plus taxes, utilities and maintenance. The expense has been recorded as general and administrative expenses.

Key management personnel are comprised of the Company's executive officers. Including the above agreements, the Company paid key management personnel the following:

	For the years ended	
	December 31, 2018	December 31, 2017
Salaries and Benefits	$ 4,121	$ 3,481
Stock-based Compensation	1,473	143
Rent	235	238
Total	$ 5,829	$ 3,862

15. Subsequent Events

Conversion of Accounts Payable into Short-term Finance Lease

Subsequent to December 31, 2018, the Company entered into a finance lease agreement with a third party and as a result $2,318,000 of accounts payable was converted to a short-term finance lease payable.

Issuance of Stock Options and Restricted Stock Units

Subsequent to December 31, 2018, the Company granted 1,207,525 stock options and 60,594 restricted stock units at a price of $5.49.