Viemed Group

Combined Financial Statements

As at January 1, 2014 and as at and for the fiscal years ended December 31, 2016, 2015 and 2014

(Expressed in U.S. dollars)

TABLE OF CONTENTS

Independent Auditors' Report

To the Shareholders of Viemed Group:

We have audited the accompanying combined financial statements of Viemed Group, which comprise the combined statements of financial position as at December 31, 2016, December 31, 2015, December 31, 2014 and January 1, 2014, and the statements of income and comprehensive income, changes in members'/shareholders' equity and cash flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of Viemed Group as at December 31, 2016, December 31, 2015, December 31, 2014 and January 1, 2014, and its financial performance and its cash flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, in accordance with International Financial Reporting Standards.

May 22, 2017
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

MNP

VIEMED GROUP

COMBINED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of U.S. Dollars)

	Note	As at December 31, 2016	As at December 31,2015	As at December 31, 2014	As at January 1,2014 (Note 14)
ASSETS					
Current					
Cash and cash equivalents		$ 4,339	$ 3,148	$ 1,637	$ -
Accounts receivable		4,793	8,046	4,751	2,232
Accounts receivable - related parties	13	-	-	125	145
Inventory	3	1,638	1,527	785	716
Prepaid expenses and other assets		426	430	160	77
Total current assets		11,196	13,151	7,458	3,170
Long-term					
Property and equipment, net	4	13,483	9,262	2,691	1,608
Total long-term assets		13,483	9,262	2,691	1,608
TOTAL ASSETS		**$ 24,679**	**$ 22,413**	**$ 10,149**	**$ 4,778**
LIABILITIES					
Current Liabilities					
Trade payables		$ 1,883	$ 881	$ 756	$ 466
Accounts payable - related parties	13	2,463	2,031	-	-
Income taxes payable	10	-	1,119	-	-
Accrued liabilities		963	612	248	120
Current portion of finance lease	5	3,401	2,280	688	1,022
Current portion of long-term debt	5	458	1,437	25	32
Total current liabilities		$ 9,168	$ 8,360	$ 1,717	$ 1,640
Long-term Liabilities					
Long -term debt	5	-	462	-	-
Long-term finance lease	5	2,631	1,939	-	405
Total long-term liabilities		$ 2,631	$ 2,401	$ -	$ 405
TOTAL LIABILITIES		**$ 11,799**	**$ 10,761**	**$ 1,717**	**$ 2,045**
MEMBERS' / SHAREHOLDERS' EQUITY					
Members' / Shareholders' equity	6,7	67	67	67	67
Retained earnings	6	12,813	11,585	8,365	2,666
TOTAL MEMBERS' / SHAREHOLDERS' EQUITY		**$ 12,880**	**$ 11,652**	**$ 8,432**	**$ 2,733**
TOTAL LIABILITIES AND MEMBERS' / SHAREHOLDERS' EQUITY		**$ 24,679**	**$ 22,413**	**$ 10,149**	**$ 4,778**

Commitments (Note 8)

APPROVED ON BEHALF OF THE BOARD:

signed "*Michael Dalsin*" signed "*Nitin Kaushal*"

The accompanying notes are an integral part of these combined financial statements.

VIEMED GROUP
COMBINED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Expressed in thousands of U.S. Dollars)

	Note	For the years ended December 31, 2016	December 31, 2015	December 31, 2014
Revenue		$ 31,356	$ 37,569	$ 23,289
Cost of revenue	3, 9	6,326	7,454	3,856
Gross margin		$ 25,030	$ 30,115	$ 19,433
Selling, general and administrative	9	23,223	18,179	9,561
Depreciation	4	1,424	1,037	385
Gain on disposal of property and equipment		(49)	-	(14)
Net income before financing expenses		$ 432	$ 10,899	$ 9,501
Financing expenses				
Interest expense	5	323	87	48
Net income before taxes		$ 109	$ 10,812	$ 9,453
Provision for (recovery of) income taxes	10	(1,119)	1,119	-
Net income and comprehensive income		$ 1,228	$ 9,693	$ 9,453
Net income per share				
Basic and diluted	12	$ 0.205	$ 1.616	$ 1.576
Weighted average number of common shares outstanding:				
Basic and diluted		6,000	6,000	6,000

The accompanying notes are an integral part of these combined financial statements.

VIEMED GROUP
COMBINED STATEMENTS OF CHANGES IN MEMBERS' / SHAREHOLDERS' EQUITY
(Expressed in thousands of U.S. Dollars)

	Members' / shareholders' equity (Note 7)	Retained earnings	Total members' / shareholders' equity
Members' equity, January 1, 2014 (Note 14)	**$ 67**	**$ 2,666**	**$ 2,733**
Net Income	**-**	9,453	9,453
Member distributions	**-**	(3,754)	(3,754)
Members' equity, December 31, 2014	**$ 67**	**$ 8,365**	**$ 8,432**
Net Income	-	9,693	9,693
Member Distributions	-	(6,473)	(6,473)
Shareholders' equity, December 31, 2015	**$ 67**	**$ 11,585**	**$ 11,652**
Net Income	-	1,228	1,228
Shareholders' equity, December 31, 2016	**$ 67**	**$ 12,813**	**$ 12,880**

The accompanying notes are an integral part of these combined financial statements.

VIEMED GROUP
COMBINED STATEMENTS OF CASH FLOW
(Expressed in thousands of U.S. Dollars)

	For the years ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Cash flows from operating activities			
Net income	$ 1,228	$ 9,693	$ 9,453
Adjustments for:			
Depreciation	1,424	1,037	385
Bad debt expense	4,375	1,244	282
Gain on disposal of property and equipment	(49)	-	(14)
Net change in working capital			
Increase in accounts receivable	(1,123)	(4,540)	(2,801)
Decrease in accounts receivable – related parties	-	125	20
Increase in inventory	(111)	(742)	(69)
Increase in trade payables	1,002	125	290
Increase in trade payables – related parties	433	2,031	-
Increase in accrued liabilities	350	364	128
Increase (decrease) in income tax payable	(1,119)	1,119	-
Increase (decrease) other current assets	4	(270)	(83)
Net cash from operating activities	$ 6,414	$ 10,186	$ 7,591
Cash flows from investing activities			
Purchase of property & equipment	(1,674)	(144)	(849)
Proceeds from sale of property & equipment	738	-	-
Net cash used in investing activities	$ (936)	$ (144)	$ (849)
Cash flows from financing activities			
Member distributions	-	(6,473)	(3,754)
Repayments of finance lease liabilities	(2,846)	(919)	(1,344)
Repayments on long-term debt	(1,441)	(1,139)	(7)
Net cash used in financing activities	$ (4,287)	$ (8,531)	$ (5,105)
Net increase in cash and cash equivalents	1,191	1,511	1,637
Cash and cash equivalents at beginning of year	3,148	1,637	-
Cash and cash equivalents at end of year	$ 4,339	$ 3,148	$ 1,637
Non-cash Transactions:			
Property and equipment financed through finance leases and long-term debt	$ 4,660	$ 7,463	$ 605

The accompanying notes are an integral part of these combined financial statements.

1. Nature of operations

The combined financial statements incorporate financial position and operations of Sleep Management, LLC ("Sleep") that offers customers requiring respiratory services and related equipment an appropriate selection of home medical products including non-invasive ventilators, continuous positive airway pressure ("CPAP") machines and oxygen units, as well as the services of experienced respiratory therapists, and Home Sleep Delivered, LLC ("HSD") that deals with snoring problems by allowing a patient to determine the existence of sleep apnea at home at a fraction of the cost of lab studies, collectively (the "Company" or the "VieMed Group"). The Company operates in the United States. Sleep and HSD were incorporated in 2010. Both companies shared identical ownership prior to being acquired by Patient Home Monitoring Corp. ("PHM") in June of 2015. Prior to the PHM acquisition, Sleep operated as an "S" corporation and HSD operated as a partnership for income tax purposes. Subsequent to the acquisition, Sleep has operated as a "C" corporation while HSD has remained a partnership for income tax purposes.

These combined financial statements have been prepared for inclusion in the filing documents with the regulators relating to the Company's contemplated spin off from PHM and are prepared on a going concern basis. The application of the going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operation. If this assumption were not appropriate, adjustments to these combined financial statements may be necessary.

2. Summary of significant accounting policies

(a) *Unreserved statement of compliance*

These combined financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using the guidance continued in IFRS 1, First Time Adoption. See note 14 for further disclosure.

These combined financial statements include financial statements:

- As at and for the years ended December 31, 2014, 2015, and 2016 along with January 1, 2014 opening statement of financial position

The combined financial statements were authorized for issue by the Board of Directors on May 22, 2017.

(b) Reporting currency

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

(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 US 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 preparation of combined financial statements

These combined financial statements include the accounts of Sleep and HSD. All intercompany transactions have been eliminated. On June 1, 2015, PHM acquired all the issued and outstanding shares of Sleep and HSD from the managing members. Since the management team operating these entities before and after the acquisition has remained the same therefore, the respective financial statements are prepared and presented on a combined basis.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

(e) Use of estimates

The preparation of the combined 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 combined 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 Combined 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 combined financial statements. A change in estimate could impact expenses and accounts receivable.

Allowance for doubtful accounts

	December 31, 2016	December 31, 2015	December 31, 2014	January 1, 2014 (Note 14)
Balance, beginning of year	$ 1,108	$ 367	$ 143	$ 76
Increase in provision	4,375	1,244	282	205
Amounts written off	(2,414)	(503)	(58)	(138)
Balance, end of year	$ 3,069	$ 1,108	$ 367	$ 143

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 combined 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 Board of Directors as they are 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 and taxes.

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 combined financial statements are shown on the face of the combined statement of income and comprehensive income and combined statement of financial position.

(g) *Income Taxes*

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 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 at the tax rates that are 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.

(h) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

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 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 - 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 and accounts receivable – related parties as loans and 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 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.

c. 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 is measured using level 1 inputs.

(i) Impairment of assets

d. 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.

e. 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 earnings or loss. 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.

(j) 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.

(k) 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 Combined 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.

(l) 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.

(m) 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
Monitoring Equipment	5 - 10 Years
Computer Equipment	5 Years
Office Furniture & Fixtures	5-10 Years
Leasehold Improvements	Life of Lease
Vehicles	5 Years

Depreciation of monitoring 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.

(n) Revenue recognition

Revenue from a customer consists of any combination of the sale and rental of medical equipment and / or patient monitoring services. Revenues are billed to and collections received from Medicare, third-party insurers, co-insurance and patient-pay. Revenue is recognized at the time services are provided 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.

(o) Income taxes

Prior to June 1, 2015, the Company has elected to be treated as an "S" corporation for income tax purposes. An S corporation is generally not subject to Federal income tax. The Company's taxable income is passed through to the shareholders where it is reported on the individual shareholder's federal and state income tax return. As such, no provision for income taxes is provided for in the accompanying combined financial statements for period prior to June 1, 2015.

For periods after June 1, 2015, 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.

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 combined statements of financial position and a charge to or recovery of income tax expense.

See Note 10 for details on income taxes recognized.

(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.

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace 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 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is currently assessing the impact of this pronouncement.

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off- statement of financial position operating leases. Instead, there is a single, on- statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

IFRS 15 was issued by IASB in May 2014 and will replace 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. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of analyzing IFRS 15 and determining the effect on its combined financial statements as a result of adopting this standard.

3. Inventory

	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014	As at January 1, 2014
Serialized	$ 1,018	$ 710	$ 573	$ 517
Non-serialized	620	817	212	199
Total inventory	$ 1,638	$ 1,527	$ 785	$ 716

	For the years ended		
	December 31 2016	December 31, 2015	December 31, 2014
Inventory Expensed	$ 3,200	$ 2,474	$ 792

4. Property and equipment

Cost	Monitoring equipment	Computer equipment	Office furniture and fixtures	Leasehold improvements	Vehicles	Total
Balance, January 1, 2014	**$ 1,814**	**$ 223**	**$ 92**	**$ 33**	**$ 472**	**$ 2,634**
Additions	1,675	87	1	20	448	2,231
Disposals	(968)				(29)	(997)
Balance, December 31, 2014	**2,521**	**310**	**93**	**53**	**891**	**3,868**
Additions	12,944	160	108	29	614	13,855
Disposals	(6,145)	-	-	-	(147)	(6,292)
Balance, December 31, 2015	**9,320**	**470**	**201**	**82**	**1,358**	**11,431**
Additions	5,900	97	43	64	259	6,363
Disposals	(762)	-	-	-	(55)	(817)
Balance, December 31, 2016	**$ 14,458**	**$ 567**	**$ 244**	**$ 146**	**$ 1,562**	**$ 16,977**

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

Accumulated Depreciation	**Monitoring equipment**	**Computer equipment**	**Office furniture and fixtures**	**Leasehold improvements**	**Vehicles**	**Total**
Balance, January 1, 2014	**$ 703**	**$ 69**	**$ 17**	**$ 19**	**$ 218**	**$ 1,026**
Depreciation	174	60	11	5	135	385
Disposals	(204)				(30)	(234)
Balance, December 31, 2014	**673**	**129**	**28**	**24**	**323**	**1,177**
Depreciation	770	45	12	6	204	1,037
Disposals	(26)	-	-	-	(19)	(45)
Balance, December 31, 2015	**1,417**	**174**	**40**	**30**	**508**	**2,169**
Depreciation	1,096	80	29	21	198	1,424
Disposals	(88)	-	-	-	(11)	(99)
Balance, December 31, 2016	**$ 2,425**	**$ 254**	**$ 69**	**$ 51**	**$ 695**	**$ 3,494**

Net Book Value	**Monitoring equipment**	**Computer equipment**	**Office furniture and fixtures**	**Leasehold improvements**	**Vehicles**	**Total**
Balance, January 1, 2014	$ 1,111	$ 154	$ 75	$ 14	$ 254	$ 1,608
Balance, December 31, 2014	$ 1,848	$ 181	$ 65	$ 29	$ 568	$ 2,691
Balance, December 31, 2015	$ 7,903	$ 296	$ 161	$ 52	$ 850	$ 9,262
Balance, December 31, 2016	$ 12,033	$ 313	$ 175	$ 95	$ 867	$ 13,483

5. Long-term debt and finance leases

	December 31, 2016	**December 31, 2015**	**December 31, 2014**	**January 1, 2014 (Note 14)**
Long-term debt [a]	$ 458	$ 1,899	$ 25	$ 32
Finance lease obligations [b]	6,032	4,219	688	1,427
Total debt	$ 6,490	$ 6,118	$ 713	1,459
Less:				
Current portion of long-term debt	458	1,437	25	32
Current portion of finance lease obligations	3,401	2,280	688	1,022
Total Current Portion of long-term debt	**$ 3,859**	**$ 3,717**	**$ 713**	**$ 1,054**
Net long-term debt	**$ 2,631**	**$ 2,401**	**$ -**	**$ 405**

(a) Various loans bearing interest at fixed rates between 0% - 6.95%, payable in blended monthly payments, secured by equipment, due between 2017 and 2020.

(b) Various finance leases for equipment with an implied interest rate at fixed rates between 0% - 12.85%, due between 2017 and 2020.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

Minimum payments and interest required over the next five years are as follows:

	Principal payments		Interest payments	
	Long-term debt	Finance lease obligations	Long-term debt	Finance lease obligations
Less than one year (current portion)	$ 458	$ 3,401	$ 4	$ 276
Between one and two years	-	1,923	-	114
Between two and five years	-	708	-	26
Total	**$ 458**	**$ 6,032**	**$ 4**	**$ 416**

Interest expense related to these obligations for the year ended December 31, 2016 amounted to $323,000 (December 31, 2015 - $87,000, December 31, 2014 - $48,000).

6. Capital Management

The Company considers its capital to be members'/ shareholders' equity, which is comprised members' / shareholders' equity, and retained earnings, which was $12,880,000 at December 31, 2016 (December 31, 2015 - $11,652,000, December 31, 2014 - $8,432,000, January 1, 2014 - $2,733,000) along with the debt which totaled $6,490,000 at December 31, 2016 (December 31, 2015 - $6,118,000, December 31, 2014 - $713,000 January 1, 2014 - $1,459,000). 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 generate cash from operations. There have been no changes to management's approach to managing its capital during the years ended December 31, 2016, 2015, and 2014.

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. 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 share capital

Sleep and HSD both had 3,000,000 Common shares outstanding as at January 1, 2014, December 31, 2014, 2015, and 2016. The combined 6,000,000 Common shares are owned by PHM since its acquisition of the Company on June 1, 2015. Prior to the June 2015 PHM acquisition, the 6,000,000 Common shares were privately held by founding members. The Company has only one class of stock outstanding, common share. Common shares are classified as equity.

8. 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.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

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, 2016
Less than 1 year	$	292
Between 1 and 4 years		961
Five years or more		846
Total	**$**	**2,099**

9. Expenses by nature

	For the year ended					
		December 31, 2016		**December 31, 2015**		**December 31, 2014**
Included in cost of revenue:						
Inventory expensed (Note 3)	$	3,200	$	2,474	$	792
Operating leases		2,833		4,795		2,902
Direct employee salary and benefits		174		75		64
Other		119		110		98
		6,326	$	7,454	$	3,856
Included in selling, general, and administrative:						
Employee salary and benefits (Note 13)		13,623	$	10,923	$	6,484
Bad debt expense		4,375		1,244		282
Facilities		956		485		356
Travel, Meals & Entertainment		590		1,199		632
Corporate Allocations		486		-		-
Professional Fees		472		4		105
Insurance		287		8		240
Legal		244		2,085		154
Other		2,190		2,231		1,308
	$	23,223	$	18,179	$	9,561

10. 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.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

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, 2016		Year ended December 31, 2015	
Net income (loss) before income taxes (a)	$	109	$	10,812
Statutory income tax rate		40.00%		40.00%
Computed provision for (recovery of) income taxes	$	44	$	4,326
Net income not subject to tax due to “S” Corp status (a)		-		(1,513)
Other non-deductible expenses		44		78
Tax recovered on losses carried back		(1,119)		-
Changes in deferred tax assets not recognized		(88)		(1,772)
Provision for (recovery of) income taxes	$	(1,119)	$	1,119

(a) Prior to, and during the year ended December 31, 2015 the Company was treated as an “S” corporation for income tax purposes for the five-month period ended May 31, 2015.

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, 2016		Year ended December 31, 2015	
Goodwill (b)	$	24,050	$	25,843
Property and equipment		(2,700)		(1,020)
Net operating losses		1,588		-
Allowance for doubtful accounts		1,107		323
Other items		44		(29)
Less: deferred tax assets not recognized		(24,090)		(25,117)
Net deferred tax asset (liability)	$	-	$	-

(b) The Company elected to report the acquired assets at fair value at time of acquisition and thus carries a goodwill asset for tax purposes. The goodwill is amortized over 15 years for tax purposes.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

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, 2016	Year ended December 31, 2015
Goodwill	$ 60,126	$ 62,792
Allowance for doubtful accounts	101	-

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

	As at December 31, 2016
Expiring in 2036	$ 3,971

11. 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 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, 2016, December 31, 2015, December 31, 2014, and January 1, 2014 both the carrying and fair value amounts of the Company's cash and cash equivalents, accounts receivable, accounts receivable – related parties, trade payables, accounts payable – related parties, accrued liabilities, and the current portion of finance leases and current portion of long term debt 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 any specific payor collection issues that are identified and historical experience.

As of December 31, 2016 no one customer represented more than 10% of outstanding accounts receivable. The Company does have receivables from Medicare and Medicaid, 29% and 21% respectively. As these are government programs there is very little credit risk associated with these balances.

.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

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, 2016	$ 2,312	$ 651	$ 518	$ 4,381	$ 7,862	$ 3,069
December 31, 2015	$ 2,672	$ 1,356	$ 897	$ 4,229	$ 9,154	$ 1,108
December 31, 2014	$ 2,226	$ 717	$ 525	$ 1,650	$ 5,118	$ 367
January 1, 2014	$ 1,104	$ 342	$ 197	$ 732	$ 2,375	$ 143

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, 2016, the Company faces no material liquidity risk and is able to meet all of its current financial obligations as they become due and payable. The Company had $9,168,000 of current liabilities (December 31, 2015 - $8,360,000, December 31, 2014 - $1,717,000, January 1, 2014 - $1,640,000) that are due within one year but had $11,196,000 of current assets (December 31, 2015 - $13,151,000, December 31, 2014 - $7,458,000, January 1, 2014 $3,170,000 in addition to positive cash flow it expects to generate during 2017 to meet those and any future obligations.

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.

12. Earnings per share

Income per common share is calculated using the weighted average number of common shares outstanding during the year. Diluted income per common share has not been presented as the Company has no potential dilutive instruments. Earnings per share is based on the combined earnings for the year divided by the weighted average number of shares outstanding during the year. Diluted earnings per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

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

	December 31, 2016	December 31, 2015	December 31, 2014
Net income attributable to members / shareholders	$ 1,228	$ 9,693	$ 9,453
Basic and diluted weighted average number of shares	6,000	6,000	6,000
Basic and diluted earnings per share	$ .205	$ 1.616	$ 1.576

13. Related party transactions and balances

The Company entered into a ten-year lease agreement for facilities with a rental company that is affiliated with key management of the Company. 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.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

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

	For the years ended		
	December 31, 2016	**December 31, 2015**	**December 31, 2014**
Salaries and Benefits	$ 1,012	$ 594	$ 412
Rent	292	94	77
Total	$ 1,304	$ 688	$ 489

The Company's accounts receivable – related parties and accounts payable - related parties are between entities with common management and have occurred during the normal course of business. These balances are non-interest bearing and are not expected to be settled in cash.

14. Transition to IFRS

The Company's significant accounting policies as presented in Note 2, Significant accounting policies, have been applied in preparing the combined financial statements for the year ended December 31, 2016, the comparative information for the years ended December 31, 2015 and 2014, and the opening statement of financial position as at January 1, 2014, the IFRS transition date.

The Company has applied IFRS 1 — First-time Adoption of IFRS in preparing the statement of financial position as at January 1, 2014. The effects of the changeover to IFRS on equity and profit and comprehensive income are presented in this note.

Prior to January 1, 2014, the Company's combined financial statements were prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP").

A. Exemptions Applied

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the opening statement of financial position date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2014:

a. Leases

IAS 17 — Leases ("IAS 17") discussed the new treatment of leases and the new criteria to determine whether they are operating or finance in nature. Furthermore, IFRIC 4 — Determining Whether An Arrangement Contains a Lease provides guidance to first-time adopters as to how to determine whether certain arrangement contain a lease portion to it. First-time adoption of IFRS requires applying IAS 17 by determining (i) whether an arrangement contains a lease (IFRIC 4), and (ii) whether that lease is a finance or operating lease. The Company has taken the IFRS 1 election and will treat the application provisions prospectively.

b. Borrowing costs

IAS 23 – Borrowing Costs ("IAS 23") requires an entity to capitalize the borrowing costs related to all qualifying assets. IFRS 1 allows the Company the option to apply this standard retrospectively or prospectively. The Company has elected to apply IAS 23 prospectively.

B. Mandatory exceptions

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2014:

a. Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under US GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2014 are consistent with its US GAAP estimates for the same date.

C. Deemed *cost*

The Company elected not to use fair value as deemed cost as at January 1, 2014 for property and equipment.

The Company's adoption of IFRS did not have a material impact on the statement of financial position as at January 1, 2014 and on the total operating, investing or financing cash flows for the year ended December 31, 2014 and 2015.

15. Subsequent Events

On January 11, 2017, the parent companies for Viemed Group executed Asset and Share Purchase Agreements as well as an Arrangement Agreement with Viemed Healthcare, Inc. (“Viemed”), currently a wholly owned subsidiary of the Patient Home Monitoring Corp. (“PHM”) which will be spun-out as a separate public company that will own a 100% interest in Home Sleep Delivered, L.L.C. and Sleep Management, L.L.C. Under the terms of the Arrangement, the Company intends to propose to the PHM Security holders an arrangement involving, among other things, the reorganization of the capital of the Company and the exchange of: (i) New Common Shares and Newco Shares for the PHM Shares held by the PHM Shareholders and (ii) New PHM Options and Newco Options for the PHM Options held by the PHM Option holders.