WELL HEALTH TECHNOLOGIES CORP.
Audited Annual Consolidated Financial Statements

December 31, 2022

Expressed in thousands of Canadian dollars

Independent auditor's report

To the Shareholders of WELL Health Technologies Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of WELL Health Technologies Corp. and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of income (loss) and comprehensive income (loss) for the years ended December 31, 2022 and 2021;
- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of intangible assets acquired in certain business combinations *Refer to note 3 – Significant accounting policies, note 4 – Critical accounting estimates and judgments and note 23 – Business combinations and asset acquisitions to the consolidated financial statements.* During 2022, the Company finalized the purchase price allocations for the MyHealth, WISP and CognisantMD business combinations completed in the year ended December 31, 2021. The majority of intangible assets of $209.2 million related to licences, brand, customer relationships and technology from these business combinations. The determination of the fair value of the intangible assets acquired is based on management's estimates using the excess earnings method and relief from royalty method using discounted cash flow models, as applicable. Significant assumptions included revenue growth rates, royalty rates, customer attrition and discount rates. We considered this a key audit matter due to the judgment applied by management in estimating the fair value of the intangible assets, including the development of significant assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions used by management. The audit effort	Our approach to addressing the matter included the following procedures, among others: ● Tested how management estimated the fair value of the intangible assets of the finalized acquisitions, which included the following: – Read the purchase agreements. – Evaluated the appropriateness of management's excess earnings method and relief from royalty method using discounted cash flow models and tested the mathematical accuracy thereof. – Tested the underlying data used by management in the discounted cash flow models. – Evaluated the reasonableness of significant assumptions used by management related to revenue growth rates, royalty rates and customer attrition and by considering the past performance of the acquired companies, revenue growth rates from similar prior acquisitions made by the Company and royalty rates for comparable companies, as applicable. – Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management's excess earnings method and relief from royalty method using discounted cash flow models, as well as certain significant assumptions such as

Key audit matter	How our audit addressed the key audit matter
involved the use of professionals with specialized skill and knowledge in the field of valuation.	customer attrition, royalty rates and discount rates. ● Assessed the related disclosures in the consolidated financial statements.
Impairment assessment of goodwill *Refer to note 3 – Significant accounting policies, note 4 – Critical accounting estimates and judgments and note 14 – Intangible assets and goodwill to the consolidated financial statements.* The Company had goodwill of $499.2 million as at December 31, 2022. The Company assesses whether there has been an impairment in the carrying amount of goodwill at least annually or whenever an indicator of impairment exists. An impairment loss is recognized if the carrying amount of a cash generating unit (CGU) to which the goodwill relates exceeds its recoverable amount. The recoverable amounts of the CGUs were determined based on the value in use method using discounted cash flow models. Value in use calculations require management to make certain assumptions, including significant estimates about revenue growth rates, terminal growth rates and discount rates. No impairment was recognized as a result of the 2022 impairment review. We considered this a key audit matter due to (i) the significance of the goodwill balance and (ii) the judgment made by management in determining the recoverable amounts of the CGUs, including the use of certain assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test these assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us	Our approach to addressing the matter included the following procedures, among others: ● Evaluated how management determined the recoverable amount of certain CGUs, which included the following: – Tested the appropriateness of the method used and the mathematical accuracy of the discounted cash flow models. – Tested the reasonableness of revenue growth rates, terminal growth rates and discount rates applied by management in the discounted cash flow models by comparing them to the budget, management’s plans and available third party published economic data. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rates applied by management based on available data of comparable companies. – Tested the underlying data used in the discounted cash flow models. ● Assessed the related disclosures in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
in performing our procedures.	
Revenue recognition for anesthesia services *Refer to note 3 – Significant accounting policies, note 4 – Critical accounting estimates and judgments and note 5 – Revenue to the consolidated financial statements.* For the year ended December 31, 2022, revenue recognized from Omni-channel Patient Services was $376.7 million and as at December 31, 2022, accounts receivable for Omni-channel Patient Services - Specialized - CRH was $45.6 million, of which a significant portion relates to anesthesia services. Anesthesia service revenues are recognized on completion of anesthesia procedures for each patient and are recognized net of contractual adjustments and implicit price concessions. Due to such contractual adjustments and implicit price concessions, the transaction price for these services is considered to be variable. Significant judgment is involved in determining the estimated revenues at year-end. Management follows a portfolio approach in estimating the variable consideration based on assumptions related to the historical trend of cash collections from third party payors and contractual adjustments and implicit price concessions for each payor type. We considered this a key audit matter due to the significant judgments and assumptions used by management to estimate revenues that will be collected in the future due to the judgment required in estimating cash collections from third party payors and contractual adjustments and implicit price concessions for each payor type. This in turn resulted in a high degree of auditor judgment,	Our approach to addressing the matter included the following procedures, among others: ● Evaluated how management determined anesthesia revenue and related receivables, which included the following: – Evaluated the reasonableness of estimated future collections by reference to the Company's historical trend of cash collections and contractual adjustments and implicit price concessions by payor type. – Compared the actual cash collections to the anesthesia services revenue accrual recorded on a sample basis. – Tested anesthesia services cash collections subsequent to year-end on a sample basis by comparing the revenue accrual to the amounts actually collected. ● Assessed the related disclosures in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
significant audit effort and subjectivity in performing procedures.	

Other information

Management is responsible for the other information. The other information comprises the 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 audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 IFRS, 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 Company'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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Robert Coard.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 21, 2023

WELL Health Technologies Corp.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in thousands of Canadian dollars unless otherwise stated, except per share and share amounts)

	Years ended	
	December 31, 2022	December 31, 2021
		Restated (Note 23)
	$'000	$'000
Revenue (Note 5)	**569,136**	302,324
Expenses		
Cost of sales (excluding depreciation and amortization)	**(265,845)**	(148,629)
General and administrative (Note 6)	**(199,623)**	(102,510)
Depreciation and amortization (Notes 13 & 14)	**(55,203)**	(38,710)
Stock-based compensation (Note 20)	**(24,483)**	(21,012)
Foreign exchange loss	**(671)**	(4,749)
Operating income (loss)	**23,311**	(13,286)
Interest income (Note 7)	**649**	555
Interest expense (Note 7)	**(25,291)**	(9,009)
Time-based earnout recovery (expense) (Note 8)	**15,767**	(5,085)
Change in fair value of investments	**282**	-
Gain on disposal of subsidiaries (Note 23)	**5,206**	-
Share of net loss of associates	**(396)**	(209)
Other (expense) income	**(2,003)**	1,549
Net income (loss) before income tax	**17,525**	(25,485)
Income tax recovery (expense) (Note 19)	**1,150**	(5,802)
Net income (loss)	**18,675**	(31,287)
Net income (loss) attributable to:		
Owners of WELL Health Technologies Corp.	**1,369**	(44,179)
Non-controlling interests	**17,306**	12,892
	18,675	(31,287)
Other comprehensive income (loss):		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference on translation of foreign operations	**33,962**	6,091
Total comprehensive income (loss)	**52,637**	(25,196)
Total comprehensive income (loss) attributable to:		
Owners of WELL Health Technologies Corp.	**35,045**	(38,050)
Non-controlling interests	**17,592**	12,854
	52,637	(25,196)
Earnings (loss) per share attributable to WELL Health Technologies Corp.		
Basic and diluted	**0.00**	(0.23)
Weighted average number of common shares outstanding		
Basic and diluted	**220,691,471**	190,900,309

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

WELL Health Technologies Corp.
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars unless otherwise stated)

As at	**December 31, 2022**	December 31, 2021 Restated (Note 23)
	$'000	$'000
Assets		
Current		
Cash and cash equivalents	**48,908**	61,919
Accounts and other receivables (Note 9)	**78,914**	66,020
Inventory	**1,370**	793
Lease receivable (Note 18(b))	**568**	520
Prepayments and other assets (Note 10)	**21,117**	13,084
Total current assets	**150,877**	142,336
Financial assets at fair value through profit and loss (Note 11)	**5,636**	5,392
Investment accounted for using the equity method (Note 12 (d))	**4,369**	5,453
Lease receivable – non-current (Note 18(b))	**1,880**	2,210
Prepayments and other assets – non-current (Note 10)	**3,177**	644
Property and equipment (Note 13)	**82,535**	83,056
Intangible assets (Note 14)	**571,267**	576,679
Goodwill (Note 14)	**499,290**	471,549
Total assets	**1,319,031**	1,287,319
Liabilities and equity		
Current		
Accounts payable and accrued liabilities	**50,728**	38,713
Unearned revenue (Note 15)	**6,797**	4,242
Loans and borrowings (Note 17(a))	**30,303**	45,914
Lease liability (Note 18(a))	**9,107**	7,217
Convertible debentures (Note 17(b))	**3,850**	4,235
Deferred acquisition costs (Note 16(a))	**18,229**	24,344
Other liabilities (Note 16(b))	**17,489**	12,675
Total current liabilities	**136,503**	137,340
Loans and borrowings - non-current (Note 17(a))	**222,171**	253,125
Lease liability – non-current (Note 18(a))	**52,156**	53,971
Convertible debentures - non-current (Note 17(b))	**40,829**	37,474
Deferred tax liabilities (Note 19)	**30,706**	35,808
Unearned revenue - non-current (Note 15)	**403**	510
Deferred acquisition costs – non-current (Note 16(a))	**20,268**	61,259
Other liabilities – non-current (Note 16(b))	**744**	76
Total liabilities	**503,780**	579,563
Equity		
Share capital (Note 20)	**705,186**	633,509
Contributed surplus (Note 20)	**51,765**	43,988
Accumulated other comprehensive income	**39,059**	5,383
Accumulated deficit	**(63,666)**	(65,035)
Equity attributable to owners of WELL Health Technologies Corp.	**732,344**	617,845
Non-controlling interests	**82,907**	89,911
Total equity	**815,251**	707,756
Total equity and liabilities	**1,319,031**	1,287,319

Commitments and contingencies (Note 16(c))
Events after the reporting period (Notes 8, 25 and 26)

Approved by the Directors:

"Hamed Shahbazi" *"Thomas Liston"*

WELL Health Technologies Corp.
Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars unless otherwise stated, except share amounts)

		Attributable to owners of WELL Health Technologies Corp.						
	Number of Shares	Share Capital $'000	Contributed Surplus $'000	Accumulated other comprehensive income (loss) $'000	Accumulated Deficit $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at December 31, 2021	**209,147,462**	**633,509**	**43,988**	**5,383**	**(64,643)**	**618,237**	**89,813**	**708,050**
Finalization of 2021 PPA	-	-	-	-	(392)	(392)	98	(294)
Restated balance at December 31, 2021	**209,147,462**	**633,509**	**43,988**	**5,383**	**(65,035)**	**617,845**	**89,911**	**707,756**
Private placement (Note 20)	9,327,765	34,513	-	-	-	34,513	-	34,513
Share issue costs	-	(2,230)	-	-	-	(2,230)	-	(2,230)
Shares repurchased under normal course issuer bid (Note 20)	(50,000)	(243)				(243)		(243)
Stock options exercised (Note 20)	3,132,286	2,666	(1,498)	-	-	1,168	-	1,168
Shares issued for RSUs/PSUs (Note 20)	3,133,252	15,049	(15,049)	-	-	-	-	-
Shares issued for settlement of deferred acquisition costs (Note 16(a))	2,781,887	8,488	-	-	-	8,488	-	8,488
Shares issued for settlement of note payable (Note 17(a))	2,320,897	9,353	-	-	-	9,353	-	9,353
Shares issued for time-based earnout payments	648,880	2,267	-	-	-	2,267	-	2,267
Shares issued for consideration in business combinations (Note 23)	604,861	1,814	-	-	-	1,814	-	1,814
Stock-based compensation (Note 20)	-	-	24,483	-	-	24,483	-	24,483
Non-controlling interests via business combination (Note 23)	-	-	-	-	-	-	2,638	2,638
Distributions paid to non-controlling interests	-	-	-	-	-	-	(22,060)	(22,060)
Other transactions with non-controlling interests	-	-	(159)	-	-	(159)	(5,174)	(5,333)
Foreign currency translation of foreign subsidiaries	-	-	-	33,676	-	33,676	286	33,962
Net income for the period	-	-	-	-	1,369	1,369	17,306	18,675
Balance at December 31, 2022	**231,047,290**	**705,186**	**51,765**	**39,059**	**(63,666)**	**732,344**	**82,907**	**815,251**
Restated balance at December 31, 2020	**162,998,852**	**231,885**	**6,374**	**(746)**	**(20,860)**	**216,653**	**1,695**	**218,348**
Private placement (Note 20)	30,867,324	302,500	-	-	-	302,500	-	302,500
Share issue costs	-	(4,170)	-	-	-	(4,170)	-	(4,170)
Stock options exercised (Note 20)	501,075	684	(288)	-	-	396	-	396
Warrants exercised (Note 20)	119,656	172	(64)	-	-	108	-	108
Shares issued for RSUs/PSUs (Note 20)	2,323,769	8,245	(8,245)	-	-	-	-	-
Shares issued for settlement of deferred acquisition costs (Note 16(a))	20,809	67	-	-	-	67	-	67
Shares issued for settlement of note payable (Note 17(a))	1,479,692	10,096	-	-	-	10,096	-	10,096
Shares issued for time-based earnout payments	127,104	868	-	-	-	868	-	868
Shares issued for consideration in business combinations (Note 23)	10,279,355	79,798	-	-	-	79,798	-	79,798
Shares issued for working capital holdback	429,826	3,364	-	-	-	3,364	-	3,364
Stock-based compensation (Note 20)	-	-	21,012	-	-	21,012	-	21,012
Non-controlling interests via business combination (Note 23)	-	-	-	-	-	-	88,966	88,966
Distributions paid to non-controlling interests	-	-	-	-	-	-	(13,725)	(13,725)
Other transactions with non-controlling interests	-	-	157	-	4	161	23	184
Conversion rights of convertible debentures (Note 18)	-	-	25,042	-	-	25,042	-	25,042
Foreign currency translation of foreign subsidiaries	-	-	-	6,129	-	6,129	(38)	6,091
Net income (loss) for the period	-	-	-	-	(43,787)	(43,787)	12,892	(30,895)
Balance at December 31, 2021	**209,147,462**	**633,509**	**43,988**	**5,383**	**(64,643)**	**618,237**	**89,813**	**708,050**

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

WELL Health Technologies Corp.
Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars unless otherwise stated)

	Years ended	
	December 31, 2022	December 31, 2021
		Restated (Note 23)
	$'000	$'000
Cash flows provided by/(used in)		
Operating activities		
Net income (loss) for the period	**18,675**	(31,287)
Adjustments to net loss for non-cash items:		
Interest income accretion	**(197)**	(119)
Interest expense accretion	**12,795**	3,865
Time-based earnout payments settled via shares	**2,267**	868
Unrealized foreign exchange loss and others	**2,280**	891
Gain on revaluation of deferred acquisition cost liability	**(27,750)**	-
Change in fair value of investments	**(282)**	-
Depreciation and amortization (Notes 13 & 14)	**55,203**	38,710
Gain on disposal of subsidiaries (Note 23)	**(5,206)**	-
Share of net loss of associates	**396**	209
Stock-based compensation (Note 20)	**24,483**	21,012
Non-cash gain included in other income	**(60)**	(519)
Gain on asset disposition	**-**	(64)
Change in non-cash operating items (Note 24)	**(6,058)**	(11,298)
Net cash provided by operating activities	**76,546**	22,268
Investing activities		
Change in restricted cash	**-**	4,169
Business acquisitions, net of cash acquired (Notes 23 & 24)	**(16,295)**	(417,183)
Asset acqusitions (Notes 23 & 24)	**(211)**	(49,793)
Acquisition transaction costs included in accounts payable and accrued liabilities	**-**	(24,239)
Proceeds from disposal of subsidiaries (Note 23)	**16,510**	-
Equity and debt investments in associates and others (Note 24)	**-**	(3,123)
Other transactions with non-controlling interests	**-**	181
Acquisition of property and equipment and internally generated intangible assets	**(6,404)**	(2,682)
Settlement of working capital holdbacks	**(185)**	(5,651)
Settlement of deferred acquisition costs (Note 16(a))	**(31,341)**	(1,457)
Net cash used in investing activities	**(37,926)**	(499,778)
Financing activities		
Proceeds from private placements (Note 20)	**34,513**	302,500
Share issue costs (Note 20)	**(2,230)**	(4,170)
Shares repurchased under NCIB (Note 20)	**(243)**	-
Gross proceeds from convertible debentures (Note 17(b)	**-**	70,000
Debt issuance costs (Note 17(b))	**-**	(3,890)
Payment of interest on convertible debentures (Note 17(b))	**(4,235)**	-
Proceeds from loans and borrowings	**48,729**	141,759
Repayments of loans and borrowings	**(97,937)**	(35,536)
Proceeds from stock options exercised	**1,168**	523
Proceeds from agent warrants exercised	**-**	108
Transactions with non-controlling interests	**(23,070)**	(13,721)
Distribution from equity investment	**-**	109
Lease payments (Note 18(a))	**(10,276)**	(5,657)
Lease payments received (Note 18(b))	**734**	505
Net cash provided by (used in) financing activities	**(52,847)**	452,530
Effects of foreign exchange difference on cash and cash equivalents	**1,216**	9
Net change in cash	**(13,011)**	(24,971)
Cash and cash equivalents - beginning of period	**61,919**	86,890
Cash and cash equivalents - end of period	**48,908**	61,919
Cash (paid for)/received from:		
Interest	**(16,073)**	(4,718)
Income tax	**(5,294)**	271
	(21,367)	(4,447)

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

1. Nature of operations

WELL Health Technologies Corp. (the "Company") is an omni-channel digital health company. Its objective is to empower doctors to provide advanced care while leveraging the latest trends in digital health technology.

The Company was incorporated under the Business Corporations Act of British Columbia on November 23, 2010. The Company's common shares trade on the Toronto Stock Exchange (the "TSX") under the symbol WELL.

The Company's head office is located at Suite 550 - 375 Water Street, Vancouver, BC, V6B 5C6.

These audited annual consolidated financial statements were approved for issuance by the Company's Board of Directors on March 20, 2023.

2. Basis of presentation

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

These audited annual consolidated financial statements have been prepared on the historical cost basis except with respect to certain financial instruments which are measured at fair value (Note 25). All financial information in these audited annual consolidated financial statements, except share and per share amounts, is presented in thousands of Canadian dollars.

The preparation of audited annual consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the audited annual consolidated financial statements are disclosed in Note 4.

New IFRS pronouncements

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16–Interest Rate Benchmark Reform–Phase 2

In August 2020, the IASB issued amendments to IFRS 9, Financial Instruments; IAS 39, Financial Instruments: Recognition and Measurement; IFRS 7, Financial Instruments: Disclosures; IFRS 4, Insurance Contracts; and IFRS 16, Leases as a result of Phase 2 of the IASB's Interest Rate Benchmark Reform project. The amendments address issues arising in connection with reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. The amendments were effective January 1, 2021. These financial instruments are based on LIBOR settings that are currently scheduled to cease publication after June 30, 2023. During the year ended December 31, 2022, the Company transitioned the benchmark interest rate for US dollar borrowings in its credit facilities from

LIBOR to SOFR and will continue to monitor developments on alternative benchmark interest rates as widespread market practice is established.

Amendments to IAS 12 – Income Taxes

In May 2021, the IASB issued amendments to IAS 12, Income Taxes. The amendments will require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments help to clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The effective date is for annual periods beginning on or after January 1, 2023, with early adoption permissible. The Company is evaluating these amendments but does not expect them to have a material effect on its consolidated financial statements.

As at December 31, 2022 there are no other IFRS or IFRC interpretations with future effective dates that are expected to have a material impact on the Company.

3. Significant accounting policies

The significant accounting policies used in the preparation of these audited annual consolidated financial statements are described below.

a) Basis of consolidation

These audited annual consolidated financial statements include the assets, liabilities and results of operations of the Company and all subsidiaries that are controlled by the Company for the years ended December 31, 2022, and 2021.

Control over a subsidiary exists when the Company is exposed to and has the rights to variable returns of the subsidiary and has the ability to affect those returns through its power over the entity. The existence and effect of voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company and are deconsolidated from the date control ceases. Intercompany transactions, balances, and unrealized gains/losses on transactions between subsidiaries are eliminated on consolidation.

b) Business combinations

The Company applies the acquisition method to account for business combinations. Consideration for the acquisition of a subsidiary is measured at fair value and includes assets transferred, equities issued as well as any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any non-controlling interests are recognized at the non-controlling interest's proportionate share of the fair value of the net assets acquired. Acquisition related costs are expensed as incurred.

Goodwill is initially measured as the excess of the consideration paid over the fair value of net identifiable assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of loss and comprehensive loss.

The Company recognizes contingent consideration relating to its business combinations at fair value at the date the transaction closes and revalues the component of contingent consideration recognized as a liability at each subsequent reporting date and on settlement through earnings. Contingent consideration that will be settled by delivering a fixed number of common shares is classified as equity and not revalued at each subsequent reporting date.

Asset acquisitions are accounted for at cost. The acquisition cost includes directly related acquisition costs and transaction costs. The cost of the acquisition is allocated to the net assets acquired on a relative fair value basis. Contingent consideration, where the arrangement is not a derivative, is recognized when it is probable and estimable. After the initial acquisition accounting, changes in contingent and deferred consideration are recorded as an adjustment to the related asset.

The Company recognizes any non-controlling interest on consolidation at the fair value of the proportionate share of the net assets acquired. When the Company acquires an asset via a step transaction, the Company remeasures and adjusts any previously held interest to fair value.

c) Foreign currency translation

(i) Functional and presentation currency

The Company's audited annual consolidated financial statements are presented in Canadian dollars.

Each of the Company's subsidiaries determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The determination of functional currency is based on the primary economic environment in which an entity operates. The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity.

The functional currency of Circle Medical Technologies, Inc. ("Circle Medical"), CRH Medical Corporation ("CRH") and WISP Inc. ("WISP) is the US dollar. The functional currency of Intrahealth Systems Limited and Intrahealth Australia Limited is the Australian dollar, and the functional currency of Intrahealth New Zealand Limited is the New Zealand dollar. The functional currency of all other entities in the consolidated group is the Canadian dollar.

(ii) Foreign operations translation

Foreign operations that have a functional currency other than the Canadian dollar are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing foreign currency rate at the date of that consolidated statement of financial position;
- income and expenses are translated at the average exchange rate for that period (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rate on the dates of the transactions); and
- all resulting foreign currency gains and losses are recognized in other comprehensive income (loss) as a foreign currency translation adjustment.

The relevant amount of cumulative foreign currency translation adjustment is reclassified to earnings upon disposition of a foreign operation.

(iii) Transactions in foreign currency

Foreign currency transactions for each entity are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions (or using the average rate for the period when this is a reasonable approximation). Period end balances of monetary assets and liabilities denominated in currencies other than an entity's functional are translated into the entity's functional currency using period end foreign currency rates. Foreign exchange gains and losses resulting from the translation or settlement of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

d) Cash and cash equivalents

Cash and cash equivalents in the audited annual consolidated statements of financial position and audited annual consolidated statements of cash flows comprise cash in banks and short-term monetary instruments with initial maturities of three months or less when purchased or which are redeemable at face value on demand.

e) Financial instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Financial assets and financial liabilities, including derivatives, are recognized in the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. On initial recognition all financial instruments are recognized at fair value.

Financial instruments are subsequently measured based on their classification as follows:

- Financial instruments measured at fair value through the consolidated statement of income (loss) ("FVPL");
- Financial instruments measured at fair value through other comprehensive income ("FVOCI"), or
- Financial instruments measured at amortized cost.

(i) Financial Assets

Financial assets may be classified as FVPL, FVOCI or at amortized cost depending on the entity's business model for managing the financial assets, and the contractual cash flows.

The Company measures financial assets (except for those classified as FVPL) at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through profit or loss ("FVPL") are expensed in the consolidated statement of income (loss).

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is recognized using the effective interest method. Foreign exchange gains and losses as well as any gain or loss arising on derecognition are recognized in the consolidated statement of income (loss).
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are recorded through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in the consolidated statement of income (loss). When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statement of loss.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in the consolidated statement of income (loss).

Equity Instruments

Unless an election is made, the Company subsequently measures all equity investments at FVPL. When the Company has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of loss following the derecognition of the investment.

Changes in the fair value of financial assets at FVPL are recognized in the audited annual consolidated statement of loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Company uses the expected credit loss model for assessing impairment of financial assets and recognises expected credit losses as loss allowances for assets measured at amortized cost or FVOCI. For accounts receivable, the Company maintains an allowance for doubtful accounts for the estimated expected credit losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances.

(ii) Financial Liabilities

Financial liabilities are classified as either FVPL or at amortized cost.

- FVPL: Financial liabilities carried at FVPL are initially recorded at fair value and transaction costs are expensed in the audited annual consolidated statement of income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial liabilities held at FVPL are generally recognized in the audited annual consolidated statement of income (loss) in the period in which they arise. This includes contingent consideration in business combinations.

- Financial liabilities at amortized cost: Financial liabilities carried at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

(iii) Derivative Financial Instruments

A contract that could result in the delivery of a variable number of the Company's own common shares is considered a financial instrument and is measured at FVPL. Directly attributable transaction costs are expensed through the audited annual consolidated statement of income (loss).

(iv) Compound Financial Instruments

The component parts of compound financial instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. If the conversion feature meets the definition of equity, the fair value of the liability component is estimated at the date of issue of the instrument using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability (net of transaction costs) on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs are apportioned between the liability and equity components of the convertible instruments, based on the allocation of proceeds to the financial liability and equity components when the instruments are initially recognized. Interest related to the financial liability component is recognized in the consolidated statement of loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

If the conversion feature of a convertible instrument issued does not meet the definition of an equity instrument, it is classified as an embedded derivative and measured accordingly. The debt component of the instrument is determined by deducting the fair value of the equity conversion option at inception from the fair value of the consideration received for the instrument as a whole. This amount (the debt component) is recorded as a liability on an amortized cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date.

f) Investments in associates and joint ventures

An associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the audited annual consolidated financial statements include the Company's share of the profit or loss and OCI of these entities, until the date on which significant influence or joint control ceases.

g) Stock-based compensation

The Company maintains stock-based compensation plans whereby employees and consultants may be granted awards in the form of stock options, restricted share units ("RSUs") and performance share units ("PSUs"). Stock-based compensation expense relates to the fair value of the awards being expensed over their respective vesting periods.

Stock options

The fair value of stock options granted is measured using the Black-Scholes option pricing model ("BSM") on the grant date taking into account the terms and conditions upon which the options were granted. The fair value of each tranche of options is recognized as expense on a straight-line basis over its vesting period. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

The BSM requires management to estimate the expected volatility, the term of the equity instrument, the risk-free rate of return over the term, expected dividends, and the number of equity instruments expected to ultimately vest. In estimating expected volatility, the Company considers the historical share price volatility of its common shares.

The fair value of stock options is charged to profit or loss with a corresponding increase in contributed surplus within equity. Previously recognized expenses are not subsequently reversed for options that vest but are not exercised. If and when stock options are ultimately exercised, the applicable amount of contributed surplus is transferred to share capital.

RSUs and PSUs

The fair value of RSUs and PSUs that contain performance conditions is measured based on the closing price of the Company's common shares on the date of grant. The fair value of each tranche of RSUs or PSUs granted is recognized as expense on a straight-line basis over its vesting period. The fair value of RSUs/PSUs is charged to profit or loss with a corresponding increase in contributed surplus within equity. The amount recognized as an expense is based on the estimate of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. Upon vesting of equity settled RSUs/PSUs, the related contributed surplus associated with the RSU/PSU is reclassified into share capital.

h) Revenue recognition

The Company recognizes revenue from contracts with customer by applying the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;

- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations.

Revenue for each performance obligation is recognized either over time or at a point in time. For performance obligations satisfied over time, revenue is recognized as the services are provided or rateably over the contractual term. Revenue for performance obligations satisfied at a point in time is recognized when control of the item or service transfers to the customer. Determining when a performance obligation has been satisfied requires judgment. The Company believes that the revenue recognition methods described below faithfully depict the transfer of the services and the satisfying of performance obligations. All revenue is recorded at the amount received or receivable from customers.

The Company generates its revenue from the following sources:

<u>Omni-channel Patient Services revenue</u>

Omni-channel patient services revenue is derived from (a) the provision of patient services, (b) the provision of anesthesia services, (c) ligator product sales, and (d) executive health patient services and memberships.

Patient services revenue is revenue earned at a single point in time and is generated through the Company's medical clinics and virtual platforms and consists of both non-insured and insured services. Public insured services refer to revenue generated for providing publicly accessible healthcare services that are reimbursed by the provincial health authorities. Other non-insured services are not eligible for government reimbursement, and as such are charged directly to patients and/or third parties. The Company's performance obligations for clinical services are satisfied when services are rendered. For insured and non-insured services, cash is typically collected within one month of the appointment visit.

Anesthesia service revenues are derived from anesthesia procedures performed under CRH Medical Corporation's ("CRH") professional services agreements. The fees for such services are billed either to a third-party payor, including Medicare or Medicaid, or to the patient. The Company recognizes anesthesia service revenues, net of contractual adjustments, which are estimated based on the historical trend of cash collections and contractual adjustments. There is significant judgment involved in determining the estimated revenues that will be collected in the future due to the judgment required in estimating the amounts that third party payors will pay for services based on past collections. Anesthesia services procedures for each patient qualify as a distinct performance obligation, as they are provided simultaneously with other readily available resources during the service procedure. The transaction price is variable; variable consideration relates to contractual allowances, credit provisions and other discounts. IFRS requires management to estimate the transaction price, including any implicit concessions from the credit approval process. The Company adopted a portfolio approach to estimate variable consideration transaction price by payor type (patient, government and/or insurer) and the specifics of the services being provided. These portfolios share characteristics such that the results of applying a portfolio approach are not materially different than if the standard was applied to individual patient contracts. Revenue is recognized upon completion of the services.
The Company recognizes revenue from sale of its ligator products at the time the product is shipped, which is when title passes to the customer, and when all significant contractual obligations have been satisfied, collection is probable, and the amount of revenue can be estimated reliably. Product sales contracts generally contain a single distinct performance obligation, but multiple performance obligations may exist when multiple product types are ordered by a physician in a contract. The

transaction price for product sales is fixed and no variable consideration exists. Contract consideration is allocated to each distinct performance obligation in the contract based upon available stand-alone selling prices obtained from historical sales transactions for each product. Shipping services performed after control has passed to the customer, if any, are separate performance obligations, but are determined to be nominal.

Executive health patient services and memberships revenue from private and corporate clients is recognized rateably over the contractual term of membership.

Virtual Services revenue

Virtual services revenue is derived from the provision of (a) Electronic Medical Records ("EMR") services, (b) cybersecurity consulting services, hardware, and software licenses, (c) telehealth services, and (d) billing services.

EMR services revenue is revenue earned over a period of time and is generated by providing support, hosting, and related services to clinics across Canada that use the OSCAR, Juno, and Profile (Intrahealth) EMR systems. EMR services revenue is typically for terms ranging from monthly to annually and is prepaid by customers in advance of the Company rendering the service. The Company's EMR service arrangements are non-cancelable and do not contain refund-type provisions. The Company's performance obligations for digital services are satisfied as services are rendered over the term of service arrangement. Cash is typically collected upfront prior to services being rendered.

Cybersecurity services revenue is generated primarily from:

(a) consulting services which consist of assessing a customer's cybersecurity vulnerabilities. The Company recognizes revenue when the vulnerability report is delivered to the customer. Consulting services revenue also includes revenue from security support services, incident response services, and is in general recognized over the time period the services are delivered;

(b) hardware sales which are recognized when control has passed to the customer, which is usually upon delivery of the product to the customer; and

(c) software license sales and software support which are assessed on a case-by-case basis to determine if the transaction contains a single or multiple performance obligations and if the Company is acting as the principal or as an agent. If the Company determines it is acting as the principal, the Company records revenue on a gross basis. If the Company determines it is acting as an agent, the Company records revenue on a net basis.

Telehealth services revenue is generated primarily from patient visits to its platform to have access to the Company's professional provider network of medical practitioners. Revenue is generated mainly on a per-telehealth visit basis. Revenue is recognized when the performance obligation is satisfied, which occurs when the patients have access to the medical practitioners via the Company's telehealth platform. The Company also generates subscription revenue from medical practitioners' access to the Company's telehealth platform to service their patients. Revenue is recognised over the period of time the medical practitioners have access to the platform.

Billing-as-a-service ("BaaS") revenue is generated on a recurring basis, typically via a monthly subscription fee from providing outsourcing billing services to physicians. The Company recognizes revenue from the related services over the period during which the contract covers as this is consistent with the period during which the performance obligation is completed.

See Note 5 for a breakdown of the Company's revenue from contracts with customers. See Note 9 for the Company's balance of accounts receivable, all of which is attributable to revenue generated from contracts with customers. When payments are received from customers in advance of performance obligations being satisfied, amounts are recorded as unearned revenue on the consolidated statement of financial position.

i) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the audited annual consolidated statement of income (loss) and comprehensive income (loss) except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

In general, deferred tax is recognized in respect of deferred tax consequences attributable to unused tax loss carry-forwards, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. However, the following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that do not affect accounting or taxable profit;
- goodwill; and
- investments in subsidiaries, branches and associates, and interests in joint arrangements where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred income tax assets and liabilities are presented as non-current and are determined on a undiscounted basis.

j) Share capital

Common shares are classified as equity. Costs directly attributable to the issuance of shares are recognized as a deduction from equity. Share issuance costs consist of legal and other costs relating to raising capital. Share capital issued for non-monetary consideration is recorded at an amount based on the fair value of the services provided.

k) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of common shares issued and outstanding during the period. Diluted earnings (loss) per share is computed by adjusting basic earnings (loss) per share for the effects of all potentially dilutive stock options, warrants and similar instruments. The Company uses the treasury stock method to compute the dilutive effect of stock options, warrants, and similar instruments unless they are anti-dilutive. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of stock options, warrants, and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

l) Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation expense is calculated using the straight-line method to allocate the cost of the assets net of residual values over their estimated useful lives as follows:

- Computer equipment — 3 years
- Furniture and fixtures — 5 years
- Medical equipment — 5 – 15 years
- Right-of-use assets — Term of the right of use plus renewal options
- Leasehold improvements — Term of lease plus renewal options, or 20 years

m) Intangible assets

The Company's intangible assets arose from business combinations and asset acquisitions (Note 14) and consist of customer relationships (including professional services agreements), brands, technology, licenses, and goodwill. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets other than goodwill are amortized over the following periods:

- Customer relationships — 3 – 15 years
- Brands — 10 years
- Technology — 5 – 13 years
- Licenses — Indefinite

Goodwill is measured at cost less accumulated impairment losses.

Goodwill and intangible assets with indefinite lives are tested for impairment at least annually. Goodwill, intangible assets with indefinite or finite lives, property and equipment are also tested for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may be less than its recoverable amount.

For impairment testing, non-financial assets that do not generate independent cash flows are grouped together into cash-generating units (CGUs), which represent the level at which largely independent cash flows are generated. Goodwill is allocated to CGUs or groups of CGUs based on the level at which it is monitored for internal reporting purposes.

An impairment loss is recognized in earnings to the extent that the carrying value of an asset, CGU or group of CGUs exceeds its estimated recoverable amount. The recoverable amount of an asset, CGU or group of CGUs is the greater of its value in use and its fair value less cost to sell. Value in use is calculated as the present value of the estimated future cash flows discounted at appropriate discount rates.

An impairment loss relating to a specific asset reduces the carrying value of the asset. An impairment loss relating to a CGU or group of CGUs first reduces the carrying value of the goodwill allocated the CGU or group of CGUs, then reduces the carrying value of the other assets of the CGU or group of CGUs on a pro-rata basis. An impairment loss in respect of goodwill is not reversed. A previously recognized impairment loss relating to other non-financial assets is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss related to non-financial assets other than goodwill is reversed if there is a subsequent increase in recoverable amount, but only to the extent of the carrying value that would have been determined, net of depreciation or amortization, if no impairment had been recognized.

n) Leases

At the inception of a lease contract, the Company assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys that right of control of the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period, and; (iii) the Company has the right to direct the use of the asset.

Leases – the Company as a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company presents right-of-use assets in property and equipment. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term plus expected renewal options which are available to the Company. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any identified, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate for leases.

Lease payments included in the measurement of the lease liability are comprised of: (i) fixed payments; (ii) variable lease payments that depend on an index rate, initially measured using the index as at the commencement date; (iii) amounts expected to be payable under a residual value guarantee; (iv) the exercise price under purchase option that the Company is reasonably certain to exercise; (v) lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and (vi) penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company recognizes a depreciation charge for right-of-use assets and interest expense on lease liabilities in the consolidated statement of income (loss).

On the audited annual consolidated statement of cash flows, the Company includes repayments of the principal portion of the lease liabilities under financing activities. Lease payments for short-term leases, lease payment for leases of low-value assets that are not included in the measurement of the lease liability are classified as cash flows from operating activities.

<u>Subleases – the Company as a lessor</u>

In classifying a sublease, the Company classifies the sublease as a finance lease, or an operating lease as follows:

- If the head lease is a short-term lease, the sublease is classified as an operating lease.
- Otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

4. Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning its financial future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management also exercises judgment in applying the group's accounting policies. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are summarized below:

Revenue recognition

Estimates are required in the determination of anesthesia services revenues and the recoverability of the related trade receivables. The Company recognizes anesthesia service revenues, net of contractual adjustments and implicit price concessions, which are estimated based on the historical trend of cash collections and contractual adjustments.

Impairment testing of goodwill and other intangible assets

The Company tests at least annually whether goodwill and indefinite lived intangibles have suffered any impairment, in accordance with the requirements of IAS 36 Impairment of Assets. The recoverable amounts of cash-generating units are determined based on the greater of their fair value less costs of disposal and value in use. These calculations, which include a discounted cash flow model, require the use of estimates.

For the purposes of impairment testing, assets are grouped into CGUs that have been identified as being the smallest identifiable group of assets that generate cash inflows that are independent of cash inflows of other assets or groups of assets. The determination of these CGUs is based on management's judgment with regards to shared infrastructure, geographical proximity, product type and other relevant factors.

Value in use calculations require management to make certain assumptions, including significant estimates about forecasted revenue levels and growth rates, operating margins, and discount rates. In arriving at its forecasts, the Company considered historical performance, current industry trends, and market opportunities.

Recognition of contingent consideration

In certain acquisitions, the purchase consideration transferred by the Company may include contingent consideration which is subject to the acquired business achieving certain performance targets. At the date of acquisition and at each subsequent reporting period, the Company estimates the future performance of acquired businesses, which are subject to contingent consideration, in order to assess the probability that the acquired business will achieve its performance targets and thus earn its contingent consideration. Any changes in the fair value of the contingent consideration classified as a liability between reporting periods are included in the determination of net income or loss. Changes in fair value arise as a result of various factors, including the estimated probability of the acquired business achieving its earnings targets.

Initial recognition of right-of-use assets, lease receivable and liability

The preparation of audited annual consolidated financial statements requires that the Company's management makes assumptions and estimates on the classification of leases and the right-of-use assets. When assessing the classification of a lease agreement, certain estimates and assumptions need to be made and applied, which include, but are not limited to, the determination of the expected lease term and minimum lease payments, implicit borrowing rate, the assessment of the likelihood of exercising renewal options, annual inflation factor and estimation of the fair value of the lease property at lease commencement.

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

Business combinations

On the completion of business acquisitions, management's judgment is required to estimate the fair value of purchase consideration and to identify and estimate the fair values of assets, liabilities, and non-controlling interests. The determination of the fair value of assets and liabilities acquired is based on management's estimates using the excess earnings method and relief from royalty method to value intangible assets using discounted cash flow models. Significant assumptions include revenue growth rates, customer attrition and discount rates.

5. Revenue

The following table shows the details of revenues for the years ended December 31, 2022, and 2021:

	Years ended			
	December 31, 2022		December 31, 2021	
	$'000		$'000	
Public insured	**180,066**	**32%**	96,510	32%
Non-public and other	**196,720**	**34%**	130,167	43%
Omni-channel Patient Services	**376,786**	**66%**	226,677	75%
Virtual Services	**192,350**	**34%**	75,647	25%
Total Revenue	**569,136**	**100%**	302,324	100%

6. General and administrative expenses

The following table shows the details of general and administrative expenses for the years ended December 31, 2022, and 2021:

	Years ended	
	December 31, 2022	December 31, 2021
	$'000	$'000
Salaries and benefits	**100,352**	52,178
Professional and consulting fees	**17,481**	19,313
Office expenses	**12,317**	5,268
Marketing and promotion	**47,695**	15,775
Others	**21,778**	9,976
	199,623	102,510

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

7. Interest

The following table shows a breakdown of interest income and interest expense for the years ended December 31, 2022, and 2021:

	Years ended	
	December 31, 2022 $'000	December 31, 2021 $'000
Interest accretion on subleases	**128**	110
Interest income on cash and cash equivalents and others	**521**	445
Interest income	**649**	555
Interest on loans and borrowings	**(12,547)**	(5,290)
Interest on convertible debentures	**(7,205)**	(641)
Interest accretion on leases	**(2,588)**	(1,634)
Accretion of discount on deferred acquisition costs (Note 16(a))	**(2,428)**	(1,174)
Amorization of deferred financing fees	**(523)**	(270)
Interest expense	**(25,291)**	(9,009)

8. Time-based earnout recovery (expense)

The following table shows a breakdown of time-based earnout expense for the years ended December 31, 2022, and 2021:

	Years ended	
	December 31, 2022 $'000	December 31, 2021 $'000
Time-based earnout expense	**(11,983)**	(5,085)
Gain on revaluation of deferred acquisition cost liability	**27,750**	-
	15,767	(5,085)

During the years ended December 31, 2022 and 2021, the Company recognized time-based earnout expense of $11,983 and $5,085, respectively, in relation to earnouts that are recognized over time during post acquisition requisite service periods. During the years ended December 31, 2022 and 2021, the Company recognized a gain on the revaluation of deferred acquisition cost liabilities of $27,750 and $nil, respectively, in relation to the MyHealth earnout that was recognized at fair value as a component of purchase consideration at acquisition date.

In February 2023, the Company signed an agreement that amended the terms of the MyHealth earnout arrangement and expects to recognize a loss of approximately $7,890 during the three months ended March 31, 2023 based on a subsequent revaluation of the liability. On an aggregate basis, the net gain on the revaluation of the deferred acquisition cost liability relating to MyHealth is expected to be $19,860 after the subsequent adjustment.

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

9. Accounts and other receivables

The following table shows the details of the Company's accounts and other receivables as at December 31, 2022 and December 31, 2021:

	December 31, 2022 $'000	December 31, 2021 $'000
Accounts Receivable - gross	**82,533**	67,111
Less: Expected credit losses	**(3,619)**	(1,091)
	78,914	66,020
Accounts receivable - gross		
Omni-channel Patient Services - Specialized - CRH	**45,652**	40,269
Omni-channel Patient Services - Specialized - MyHealth	**11,615**	11,661
Omni-channel Patient Services - Primary	**3,374**	6,794
Virtual Services and others	**21,892**	8,387
	82,533	67,111

The Company evaluates credit losses on a periodic basis based on the aging and collectability of its accounts receivable. As at December 31, 2022, the Company recognized expected credit losses of $3,619 (December 31, 2021 - $1,091), which have been recorded as a reduction of accounts receivable. The expected lifetime credit loss provision for trade receivables is based on historical counterparty default rates and is adjusted for relevant forward-looking information as required.

10. Prepayments and other assets

	December 31, 2022 $'000	December 31, 2021 $'000
Current:		
Prepaid expenses	**4,233**	4,688
Income tax receivable	**11,789**	4,712
Employee receivable	**4,575**	3,575
Others	**520**	109
	21,117	13,084
Non-current:		
Others	**3,177**	644
	24,294	13,728

11. Financial assets at fair value through profit and loss

The following investments were recognized as equity and debt instruments under IFRS 9 and are measured at fair value through profit and loss (FVPL). As they are private companies, the fair value of the shares of these companies was not readily determinable, and the fair value measurement of the assets has been categorized within Level 3 of the fair value hierarchy (Note 25(b)). The Company initially measured the investment at fair value equal to cost as the best estimate. As at December 31, 2022, the Company determined that the fair value of the investment approximated its cost.

(a) Investment in Phelix AI Inc. ("Phelix")

On May 12, 2020, the Company entered into a secured convertible promissory note transaction with Phelix for $250,000. The convertible promissory note bears interest at a rate of 10% per annum, compounded annually, from the date of issue, with a maturity date of May 12, 2023. In September 2020, the Company entered into an additional secured promissory note for $30,000 with the same terms and conditions. As at December 31, 2020, the Company determined that the fair value of the promissory note was $303,871 including accrued interest. On March 1, 2021, the Company converted the outstanding principal and accrued interest of convertible promissory notes into common shares of Phelix. The Company also subscribed for additional shares for US$412,266 (C$522,960).

(b) Investment in Twig Fertility Co. ("Twig")

On February 3, 2021, the Company invested $250 into shares of Twig Fertility Co. Twig is a reproductive start-up looking to create the next generation of fertility care.

(c) Investment in 10432423 Canada Ltd. dba Bright ("Bright")

On July 20, 2021, the Company invested $250 into shares of Bright. Bright is a B2B technology service provider that has developed a virtual wellness program for on-site and work-from-home teams.

(d) Investment in 9338-7900 Quebec Inc. dba Tap Medical ("Tap Medical")

On November 12, 2021, the Company invested $250 in Tap Medical, an online service to book a health appointment, of which $125 was paid as of December 31, 2021 and the remaining balance on February 22, 2022.

(e) Convertible Debt Investment in 11855760 Canada Inc. dba Tali.ai ("Tali.ai")

On December 13, 2021, the Company entered into a secured convertible promissory note transaction with Tali.ai for $1,000. The convertible promissory note bears interest at a rate of 8% per annum, with a maturity date of December 13, 2025.

(f) Convertible Debt Investment in Cherry Health Inc. ("Cherry Health")
On December 24, 2021, the Company entered into a secured convertible promissory note transaction with Cherry Health for $250. The convertible promissory note bears interest at a rate of 8% per annum, with a maturity date of December 23, 2024.

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

12. Investments in subsidiaries and associates

(a) Material subsidiaries

The Company's principal subsidiaries at December 31, 2022 are set out below. Unless otherwise stated, these subsidiaries have share capital consisting solely of common shares that are held directly by the Company, and the proportion of ownership interest held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by WELL 2022	Ownership interest held by WELL 2021	Ownership interest held by non-controlling interest 2022	Ownership interest held by non-controlling interest 2021	Principal activities
CRH Medical Corporation ("CRH")(1)	US	100%	100%	0%	0%	Specialised Patient Services
MyHealth Partners Inc.	Canada	100%	100%	0%	0%	Specialised Patient Services
Circle Medical Technologies, Inc.	US	70%	70%	30%	30%	Virtual Services
WISP, Inc.	US	53%	53%	47%	47%	Virtual Services

(1) As at December 31, 2022, CRH had 47 operating subsidiaries for which ownership interests range from 51% to 100%

(b) Non-controlling interests (NCI)

Set below is a summarized financial information for the Company's subsidiary, CRH, that has non-controlling interests that are material to the group. The amounts disclosed are before inter-company eliminations.

Summarized balance sheets

	December 31, 2022 $'000	December 31, 2021 $'000
Current assets	**94,331**	116,431
Non-current assets	**602,525**	579,501
Total assets	**696,856**	695,932
Current liabilities	**(16,185)**	(22,715)
Non-current liabilities	**(184,522)**	(211,594)
Total liabilities	**(200,707)**	(234,309)
Net assets	**496,149**	461,623
Accumulated NCI	**77,425**	86,909

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

Summarized statements of comprehensive income

	December 31, 2022 $'000	December 31, 2021* $'000
Revenue	**202,015**	132,497
Profit for the period	**30,881**	21,954
Other comprehensive income	**31,715**	7,180
Total comprehensive income	**62,596**	29,134
Profit allocated to NCI	**14,616**	12,911
Dividends paid to NCI	**21,426**	13,339

Summarized cash flows

	December 31, 2022 $'000	December 31, 2021* $'000
Cash flows from operating activities	**80,742**	34,643
Cash flows from investing activities	**(16,184)**	(48,702)
Cash flows from financing activities	**(63,406)**	21,589
Net increase in cash and cash equivalents	**1,152**	7,530

*2021 CRH transactions were from April 22 2021 (date of acquisition) to December 31 2021

(c) Other transactions with non-controlling interests

On September 1, 2022, the Company, through its subsidiary CRH, sold its 55% interest in West Florida Anesthesia Associates, LLC ("WFAA") and contemporaneously released the remaining restrictive covenants relating to this business and a related entity. Total cash consideration received was $16,510 (US$12,396).

(d) Investment accounted for using equity method

The Company has interests in associates that are accounted for using the equity method.

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest**	**Date of ownership**	**Nature of relationship**	**Carrying value**
Simpill Health Group Inc. ("Pillway")(1)	Canada	25%	December 2, 2020	Associate (1)	$4,369

(1) Pillway is a digital pharmacy that provides e-prescription products and services in Canada.

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

On January 1, 2022, the Company increased equity ownership of Western Carolina Sedation Associates LLC. from 15% to 51%; and on December 1, 2022, the Company increased equity ownership of Focus Mental Wellness Inc. from 20% to 51%. See Note 23 below for further information.

The table below provides summarised annual financial information for associate entities. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Company's share of those amounts.

Summarised balance sheet	**December 31, 2022 $ '000**	December 31, 2021 $ '000
Current assets	**2,833**	4,780
Non-current assets	**375**	619
Total assets	**3,208**	5,399
Current liabilities	**(383)**	(312)
Non-current liabilities	**(436)**	(242)
Total liabilities	**(819)**	(554)
Net assets	**2,389**	4,845
Revenue	**2,874**	3,323
Net loss	**(1,200)**	(520)
WELL's share of net loss	**(300)**	(209)

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

13. Property and equipment

	Computer Equipment	Furniture and Fixtures	Medical Equipment	Leasehold Improvements	Construction in Progress	Right-of-use assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Restated balance at December 31, 2020	772	147	414	287	-	19,272	20,892
Additions	707	214	1,310	323	-	9,528	12,082
Acquired via business combinations (Note 23)	1,394	1,117	24,493	4,166	-	32,911	64,081
Transfers	-	-	-	-	-	-	-
End of lease/Early terminations	-	-	-	-	-	(900)	(900)
Exchange difference	(29)	(31)	3	-	-	70	13
Depreciation for the period	(726)	(111)	(1,201)	(683)	-	(4,896)	(7,617)
Closing net book value December 31, 2021	2,118	1,336	25,019	4,093	-	55,985	88,551
As at December 31, 2021:							
Cost	3,280	1,793	26,303	4,823	-	63,539	99,738
Accumulated depreciation	(1,162)	(457)	(1,284)	(730)	-	(7,554)	(11,187)
	2,118	1,336	25,019	4,093	-	55,985	88,551
PPA Finalization	-	(13)	(12,541)	7,059	-	-	(5,495)
Restated balance at December 31, 2021	**2,118**	**1,323**	**12,478**	**11,152**	**-**	**55,985**	**83,056**
Additions	1,038	348	1,604	1,502	59	2,429	6,980
Acquired via business combinations (Note 23)	117	-	123	-	-	4,727	4,967
Transfers	-	-	-	-	-	-	-
End of lease/Early terminations	-	-	-	-	-	-	-
Exchange difference	12	(15)	(5)	15	-	(91)	(84)
Depreciation for the period	(1,212)	(160)	(2,412)	(530)	-	(8,070)	(12,384)
Closing net book value December 31, 2022	**2,073**	**1,496**	**11,788**	**12,139**	**59**	**54,980**	**82,535**
As at December 31, 2022:							
Cost	4,362	2,103	15,239	13,436	59	63,050	98,249
Accumulated depreciation	(2,289)	(607)	(3,451)	(1,297)	-	(8,070)	(15,714)
	2,073	**1,496**	**11,788**	**12,139**	**59**	**54,980**	**82,535**

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

The Company had the following classes of right-of-use assets as of December 31, 2022 and 2021. Net book values and depreciation amounts by class for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended	
	December 31, 2022	December 31, 2021
	$'000	$'000
Office and clinics premises	**54,646**	55,608
Office and medical equipment	**334**	374
Automobile	**-**	3
Net book value	**54,980**	55,985

	For the years ended	
	December 31, 2022	December 31, 2021
	$'000	$'000
Office and clinics premises	**7,953**	4,747
Office and medical equipment	**117**	144
Automobile	**-**	5
Depreciation	**8,070**	4,896

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

14. Intangible assets and Goodwill

	Customer relationships $'000	Technology $'000	Brand $'000	Licences $'000	Intangibles Total $'000	Goodwill $'000
COST						
Restated balance at December 31, 2020	28,984	13,778	531	-	**43,293**	**94,008**
Acquired via business combinations	260,672	10,206	-	40,248	**311,126**	**513,960**
Acquired via asset acquisitions	79,073	-	-	1,105	**80,178**	**-**
Exchange difference on foreign currency translation	8,049	99	-	-	**8,148**	**3,779**
Balance at December 31, 2021	**376,778**	**24,083**	**531**	**41,353**	**442,745**	**611,747**
PPA finalization	16,040	4,513	9,204	142,130	**171,887**	**(140,198)**
Restated balance at December 31, 2021	**392,818**	**28,596**	**9,735**	**183,483**	**614,632**	**471,549**
Acquired via asset acquisitions		-	-	830	**830**	**-**
Acquired via business combination (Note 23)	28,273	-	-	-	**28,273**	**12,882**
Internally generated intangible assets	-	1,852	-	-	**1,852**	**-**
Disposals/others	(28,869)	-	-	(1,800)	**(30,669)**	**(5,859)**
Exchange difference on foreign currency translation	39,782	860	185	-	**40,827**	**20,718**
Balance at December 31, 2022	**432,004**	**31,308**	**9,920**	**182,513**	**655,745**	**499,290**
ACCUMULATED AMORTIZATION						
Restated balance at December 31, 2020	(2,873)	(177)	(22)	-	**(3,072)**	**-**
Amortization for the period	(28,237)	(2,309)	(53)	-	**(30,599)**	**-**
Exchange difference on foreign currency translation	(3,540)	(16)	-	-	**(3,556)**	**-**
Balance at December 31, 2021	**(34,650)**	**(2,502)**	**(75)**	**-**	**(37,227)**	**-**
Amortization for the period	(373)	(49)	(304)	-	**(726)**	**-**
Restated balance at December 31, 2021	**(35,023)**	**(2,551)**	**(379)**	**-**	**(37,953)**	**-**
Amortization for the period	(38,687)	(3,151)	(981)	-	**(42,819)**	**-**
Disposals	13,680	-	-	-	**13,680**	**-**
Exchange difference on foreign currency translation	(17,300)	(86)	-	-	**(17,386)**	**-**
Balance at December 31, 2022	**(77,330)**	**(5,788)**	**(1,360)**	**-**	**(84,478)**	**-**
NET CARRYING AMOUNTS						
Restated balance at December 31, 2021	357,795	26,045	9,356	183,483	576,679	471,549
As at December 31, 2022	**354,674**	**25,520**	**8,560**	**182,513**	**571,267**	**499,290**

During the year ended December 31, 2022, the Company finalized the purchase accounting for the fair values of the assets and liabilities of certain entities acquired in 2021 including Doctor Services Group ("DSG"), MyHealth Partners Inc. ("MyHealth"), WISP, Inc. ("WISP"), AwareMD, Inc. ("AwareMD"), Uptown Health Management Inc. ("Uptown Health"), Uptown Physical Rehabilitation, Chiropractic and Massage Centre Inc. ("Uptown Physio"), Cleator Clinics Surrey Inc. ("Cleator Surrey"), and 2355581 Ontario Inc. ("CognisantMD"). As a result, fair values of $6,721, $4,513, $18,596 and $142,120 were recognized as Customer relationships (including PSA), Technology, Brand, and Licenses and Patents respectively, with a corresponding decrease in goodwill as of December 31, 2021 (see Note 23).

The Company tests goodwill and indefinite life intangible assets for impairment on an annual basis as at September 30 or whenever events or changes in circumstances indicate that the asset's carrying amount may be less than its recoverable amount. The Company identified the following cash generating units (CGUs) to which goodwill and/or indefinite life intangible assets have been allocated, each of which has been tested for impairment: (i) WELL Clinics, (ii) CRH Anesthesia, (iii) CRH Product, (iv) MyHealth, (v) Insig, (vi) Circle Medical, (vii) Wisp, (viii) WELL EMR Group (ix) Intrahealth, (x) AwareMD, (xi) Adracare, (xii) CognisantMD, (xiii) DoctorCare, (xiv) Source44, and (xv) Cycura.

For impairment tests performed as at September 30, 2022 and September 30, 2021, the recoverable amount of each CGU was determined based on its value-in-use using a discounted cash flow approach. Discounted cash flows were based on five-year cash flow projections derived from financial budgets or forecasts approved by management using the following key assumptions:

a) Average annual revenue growth rate:

The average annual revenue growth rate for each CGU was estimated based on historical growth and management's expectations of market development.

b) Discount rate

The discount rate for each CGU was determined by estimating a weighted average cost of capital reflecting the time value of money and risks associated with the business.

c) Terminal growth rate

The terminal growth rate is based on management's current assessment of the long-term growth outlook for each CGU and expected economic conditions in the jurisdiction in which it operates.

Impairment tests as at September 30, 2022:

The carrying values of goodwill and indefinite life intangible assets as well as key assumptions used for each CGU for the impairment tests performed as at September 30, 2022 were as follows:

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

CGU	Carrying value of CGU	Carrying value of goodwill in CGU	Carrying value of indefinite life intangible assets in CGU	Average annual revenue growth rate	Discount rate	Terminal growth rate
	$'000	$'000	$'000			
WELL Clinics	49,269	32,839	-	9.4%	9.3%	3%
CRH Anesthesia	488,145	154,280	-	3.6%	9.6%	3%
CRH Product	114,770	83,731	-	8.1%	9.6%	3%
MyHealth	255,398	42,166	174,203	6.8%	9.3%	3%
Insig	33,896	29,879	-	22.6%	10.8%	3%
Circle Medical	36,814	21,553	-	52.4%	10.9%	3%
Wisp	84,157	69,108	-	40.0%	11.5%	3%
WELL EMR Group	23,902	13,386	-	9.3%	10.5%	3%
Intrahealth	13,507	10,116	-	10.2%	10.8%	3%
AwareMD	6,874	5,275	-	18.6%	10.5%	3%
Adracare	3,540	2,900	-	24.6%	10.5%	3%
CognisantMD	17,839	12,012	-	20.7%	10.5%	3%
Doctorcare	11,682	8,986	-	13.3%	10.5%	3%
Source44	10,745	8,078	-	6.9%	10.8%	3%
Cycura	2,866	1,826	-	5.9%	10.8%	3%

a) Impairment test results:

The Company did not recognize an impairment loss related to goodwill or intangible assets in 2022 because the recoverable amounts of the Company's CGUs exceeded their carrying values.

b) Sensitivity analysis:

For the impairment tests performed as at September 30, 2022, the Company determined that a reasonably possible change in each key assumption, including possible consequential changes between key assumptions, would not result in an impairment loss except for the CRH Products, Insig, Adracare and AwareMD CGUs.

The estimated recoverable amount of the CRH Products, Insig, Adracare and AwareMD CGUs exceeded their carrying values by $6,143, $715, $1,508 and $488, respectively. If the assumptions used in the impairment tests were changed by an amount greater than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognized for the year ended December 31, 2022:

	Change required for carrying value to equal recoverable amount			
	CRH Products	Insig	Adracare	AwareMD
Average annual growth rate	-0.62%	-0.60%	-2.00%	-0.30%
Discount rate	0.23%	0.14%	2.34%	0.42%

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

Impairment tests as at September 30, 2021:

The carrying values of goodwill and indefinite life intangible assets as well as key assumptions used for each CGU for the impairment tests performed as at September 30, 2021 were as follows:

CGU	Carrying value of CGU $'000	Carrying value of goodwill in CGU $'000	Carrying value of indefinite life intangible assets in CGU $'000	Average annual revenue growth rate	Discount rate	Terminal growth rate
WELL Clinics	40,102	26,031	-	6.3%	8.0%	3%
CRH Anesthesia	429,511	148,068	-	7.3%	6.7%	2%
CRH Product	134,265	106,682	-	5.0%	5.8%	2%
MyHealth	189,802	164,150	-	5.0%	7.5%	3%
Insig	34,613	28,851	-	44.0%	7.6%	3%
Circle Medical	37,639	21,067	-	73.0%	7.2%	3%
WELL EMR Group	32,601	13,386	-	8.0%	7.6%	3%
Intrahealth	14,463	8,581	-	9.0%	8.0%	3%
Adracare	4,513	3,983	-	17.0%	7.6%	3%
Doctorcare	11,640	8,416	-	21.0%	7.6%	3%
Source44	9,508	7,549	-	22.0%	7.6%	3%
Cycura	2,621	1,598	-	41.0%	7.6%	3%

a) Impairment test results:

The Company did not recognize an impairment loss related to goodwill or intangible assets in 2021 because the recoverable amounts of the Company's CGUs exceeded their carrying values.

b) Sensitivity analysis:

For the impairment tests performed as at September 30, 2021, the Company determined that a reasonably possible change in each key assumption, including possible consequential changes between key assumptions, would not result in an impairment loss except for Intrahealth, Insig, and Adracare CGUs.

The estimated recoverable amount of the Intrahealth, Insig, and Adracare CGUs exceeded their carrying values by $4,990, $8,397, and $2,152, respectively. If the assumptions used in the impairment tests were changed by an amount greater than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognized for the year ended December 31, 2021:

	Change required for carrying value to equal recoverable amount		
	Intrahealth $'000	Insig $'000	Adracare $'000
Average annual growth rate	-1.30%	-20.80%	-7.20%
Discount rate	2.20%	0.90%	4.20%

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

15. Unearned revenue

	December 31, 2022 $'000	December 31, 2021 $'000
Balance, beginning of period	**4,752**	2,900
Acquired via business combinations (Note 23)	**1,885**	2,177
Billings	**23,558**	13,665
Revenue recognized	**(22,995)**	(13,990)
Balance, end of period	**7,200**	4,752
Current	**6,797**	4,242
Non-current	**403**	510
Balance, end of period	**7,200**	4,752

16. Deferred acquisition costs and other liabilities

(a) Deferred acquisition costs

Deferred acquisition costs are liabilities for certain time-based earnout payments that are treated as purchase consideration for business combinations and asset acquisitions (Note 23).

	December 31, 2022 $'000	December 31, 2021 $'000
Current	**18,229**	24,344
Non-current	**20,268**	61,259
	38,497	85,603

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

	$'000
Balance at December 31, 2020	**2,159**
Additions via business combinations and asset acquisitions (Note 23)	83,656
Accretion of discount	1,174
Settlement in cash	(1,457)
Settlement in common shares	(67)
Exchange difference	138
Balance at December 31, 2021	**85,603**
Additions via business combinations and asset acquisitions (Note 23)	17,447
Accretion of discount	2,428
Settlement in cash	(31,341)
Settlement in common shares	(8,488)
Gain in settlement included in other income (expense)	(446)
Gain on revaluation included in time-based earnout expense	(27,750)
Exchange difference	1,044
Balance at December 31, 2022	**38,497**

(b) Other Liabilities

	December 31, 2022 $'000	December 31, 2021 $'000
Current:		
Working capital holdback	**1,207**	882
Time-based earnouts	**6,517**	2,046
Income tax payable	**4,201**	3,288
Payroll liabilities and others	**5,564**	6,459
	17,489	12,675
Non-current:		
Time-based earnouts	**636**	-
Others	**108**	76
	744	76

(c) Maturities of financial liabilities

		Undiscounted payments due by period			
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
At December 31, 2022	**$'000**	$'000	$'000	$'000	$'000
Deferred acquisition costs and time-based earnouts	**50,400**	25,211	19,712	5,477	-
Lease obligations' minimum payments	**73,194**	11,523	20,346	16,755	24,570
Accounts payable and accrued liabilities	**50,728**	50,728	-	-	-
Working capital holdbacks	**1,207**	1,207	-	-	-
Other current and non-current liabilities	**17,026**	16,282	744	-	-
Loans and borrowings	**254,045**	2,809	5,060	246,176	-
Convertible debentures	**85,400**	3,850	7,700	73,850	-
	532,000	**111,610**	**53,562**	**342,258**	**24,570**

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

17. Loans and borrowings, and convertible debentures

a) Syndicated credit facilities and promissory notes

	December 31, 2022 $'000	December 31, 2021 $'000
CRH syndicated credit facility with JPM:		
Revolving loan	**178,394**	206,479
MyHealth and Canadian Clinics syndicated credit facility with RBC:		
Revolving loan	**28,400**	23,400
Term loan	**46,875**	49,375
Promissory notes	**-**	20,000
Other loans and borrowings	**654**	1,401
Less: Financing fees	**(1,849)**	(1,616)
Total Loans and Borrowings	**252,474**	299,039
Current portion	**30,303**	45,914
Non-current portion	**222,171**	253,125
Total Loans and Borrowings	**252,474**	299,039

(i) CRH syndicated credit facility with JPMorgan Chase Bank, N.A. ("JPM"):

The Company, through its wholly-owned subsidiaries, holds a syndicated four-year revolving credit facility with JPM as syndicate lead which provides up to US$175 million in borrowing capacity and access to an accordion feature that increases the amount of the credit available to the Company by US$125 million. Interest on the facility is calculated with reference to SOFR plus 1.25% to 2.5%, dependent on the total leverage ratio of the consolidated results of CRH. The JPM facility is secured by the assets of CRH and matures on April 22, 2025. Under the JPM facility, there are no quarterly or annual repayment requirements. As of December 31, 2022, the Company had drawn $178,394 (US$131,704) under this facility (2021 – $206,479 (US$162,864)).

(ii) MyHealth and Canadian Clinics syndicated credit facility with Royal Bank of Canada ("RBC"):

The Company, through its wholly-owned subsidiaries, MyHealth and WELL Health Clinics Canada Inc. ("WHCC"), holds a syndicated five-year revolving credit facility and a term loan with RBC as syndicate lead which provides an up to $90 million revolving facility, a $50 million term loan facility and access to an accordion feature that increases the amount of the credit available to the Company by $60 million. Interest on the facility is calculated with reference to CDOR plus 1.50% to 3.25%, dependent on the total funded debt to EBITDA ratio of the consolidated results of MyHealth and WHCC. The RBC facility is secured by the assets of MyHealth and WHCC and matures on July 15, 2026. Under the term loan facility, there is a $625 quarterly repayment requirement, with the first repayment paid on December 31, 2021. As of December 31, 2022, the Company had drawn $75,275 under this facility (2021 – $72,775).

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

(iii) Financial covenants

The Company's syndicated credit facilities are subject to certain customary positive and negative covenants, as well as financial covenants based on the consolidated financial results of CRH, MyHealth and WHCC. The Company was in compliance with all positive, negative and financial covenants and other terms and conditions under its syndicated credit facilities as at December 31, 2022 and 2021.

(iv) Minimum principal repayments:

Total minimum principal repayments under the syndicated credit facilities were as follows as at December 31, 2022:

	CRH (JPM) US$'000	**MyHealth and Canadian Clinics (RBC) $'000**
2023	-	2,500
2024	-	2,500
2025	131,714	2,500
2026	-	67,775
	131,714	**75,275**

(v) Promissory notes

As part of the purchase consideration relating to the acquisition of MyHealth, the Company issued a $30 million promissory note on July 15, 2021. The amount was to be repaid in three $10 million tranches, in cash, common shares, or a combination of both at the discretion of the Company, on the third, sixth, and nine months following the issue date. Interest on the note was calculated with reference to CDOR plus 1.50% to 3.25%, dependent on the total funded debt to EBITDA ratio of the consolidated results of MyHealth.

On October 13, 2021, the Company settled the first tranche including accrued interest with an issuance of 1,479,692 units of common shares. On January 11, 2022, the Company settled the second tranche of the promissory note including accrued interest, in cash. On May 11, 2022, the Company settled the third tranche of the promissory note, including accrued interest, with an issuance of 2,320,897 units of common shares.

b) Convertible debentures

<u>November 2021 convertible debentures</u>

On November 25, 2021, the Company issued 70,000 units of unsecured convertible debentures at one thousand dollars per unit for gross proceeds of $70,000. The notes are convertible into common shares of the Company, at the option of the holder, at $9.23 per share, at any time prior to one business day preceding the maturity date of December 31, 2026. The convertible debentures bear interest at a rate of 5.5% per annum, from the date of issue, payable semi-annually in arrears in cash on June 30 and December 31 each year. The first interest payment included interest from closing date up to (but excluding) June 30, 2022.

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

The gross proceeds of $70,000 were allocated $43,479 to the liability component of the convertible debentures and $26,521 to the equity component (conversion right feature). Financing costs incurred in connection with the issuance of convertible debentures totalled $3,890. Financing costs were allocated based on the relative values of the liability and equity components at initial recognition. The allocated costs were netted against each component. Interest on the net liability component is determined using the effective interest method (19.63% annualised) and accreted over the term of the debentures.

	$'000
Balance as of December 31, 2020	-
Proceeds from the issuance of convertible debentures, November 25, 2021	**70,000**
Less transaction costs	**(3,890)**
	66,110
Amount classified as equity (conversion rights), net of transaction costs	**(25,042)**
Interest accreted (Note 7)	**641**
Interest paid	**-**
Balance as of December 31, 2021	**41,709**
Interest accreted (Note 7)	**7,205**
Interest paid	**(4,235)**
Balance as of December 31, 2022	**44,679**
Current (Interest payable within one year)	**3,850**
Non-current	**40,829**
	44,679

18. Leases

(a) Lease liability

The Company's lease liability as at December 31, 2022 and 2021 were as follows**:**

	December 31, 2022	December 31, 2021
	$'000	$'000
Current	**9,107**	7,217
Non-current	**52,156**	53,971
Total lease liability	**61,263**	61,188

The Company leases various office and clinic spaces for its operations, and subleases its excess office and clinic spaces to subtenants. The Company also leases computer related equipment, medical equipment and automobiles. Rental contracts are typically made for fixed periods of 1.25 to 15 years but may have extension options ranging from 3 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

As at December 31, 2022, the Company had rental contracts for 91 properties (2021 – 91), with an average remaining life to expiry (including extension term) of 6.46 years (2021 – 7.08 years). As at December 31, 2022, the Company had 6 leases (2021 – 6) with an average term of 5.47 years (2021 – 5.47) for office and medical equipment, and with an average remaining life of 1.98 years to the end of lease (2021 – 2.77 years).

Interest expense on lease liabilities is recognized in the consolidated statement of income (loss), and lease payments are recognized as financing activities in the consolidated statement of cash flows as follows:

	$'000
Balance at December 31, 2020	21,867
Exchange difference	(158)
End of lease/Early termination	(964)
New leases	9,668
Acquisitions during 2021 (Note 23)	34,798
Interest accretion (Note 7)	1,634
Lease cash payments	(5,657)
Balance at December 31, 2021	**61,188**
Exchange difference	283
New leases	2,753
Acquisitions during 2022 (Note 23)	4,727
Interest accretion (Note 7)	2,588
Lease cash payments	(10,276)
Balance at December 31, 2022	**61,263**

During the year ended December 31, 2022, the Company recognized $8,070 (2021 - $4,896) of depreciation expense related to right-of-use assets – see note 13 for further information.

As at December 31, 2022, the minimum rent payments under lease liabilities were as follows:

	$'000
Not later than one year	11,523
Later than one year and not later than five years	37,101
Beyond 5 years	24,570
	73,194

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

(b) Lease receivable

The Company's lease receivable as at December 31, 2022 and December 31, 2021 was as follows:

	December 31, 2022 $'000	December 31, 2021 $'000
Current	**568**	520
Non-current	**1,880**	2,210
Total lease receivable	**2,448**	2,730

Rental contracts for office subleases are typically made for fixed periods of 2 to 14 years but may have extension options ranging from 5 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. As at December 31, 2022 and 2021, the Company had rental contracts for 12 properties (2021 – 11), with an average remaining life to expiry (including extension term) of 4.80 years (2021 – 6.09).

Interest income on lease receivable is recognized in the consolidated statement of income (loss) and lease payments received are recognized as financing activities in the consolidated statement of cash flows as follows:

	$'000
Balance at December 31, 2020	1,803
New leases	139
Acquisitions during 2021	1,183
Interest accretion (Note 7)	110
Lease payments received	(505)
Balance at December 31, 2021	**2,730**
New leases	324
Interest accretion (Note 7)	128
Lease payments received	(734)
Balance at December 31, 2022	**2,448**

As at December 31, 2022, the minimum rent payments expected to be received under lease receivables were as follows:

	$'000
Year 1	675
Year 2	495
Year 3	284
Year 4	348
Year 5	238
Year 6 +	984
	3,024

Included in Other income in the audited annual consolidated statement of loss is $32 (2021 - $64) related to income from Office subleases that are classified as operating leases.

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

19. Income taxes

(a) Income tax (recovery) expense is comprised of the following:

	Years ended December 31, 2022 $'000	December 31, 2021 $'000
Current tax expense:		
Current period	**9,792**	6,849
Adjustment for prior periods	**(6,912)**	(1,139)
	2,880	5,710
Deferred tax (recovery) expense:		
Origination and reversal of temporary differences	**(2,588)**	(12,008)
Change in recognition of tax losses and deductible temporary differences	**(581)**	12,025
Change in tax rate	**(861)**	75
	(4,030)	92
Income tax (recovery) expense	**(1,150)**	5,802

(b) Income tax rate reconciliation

Reported income tax (recovery) expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to loss before income tax due to the following:

	Years ended December 31, 2022 $'000	December 31, 2021 $'000
Income (loss) before income tax	**17,525**	(25,485)
Canadian statutory income tax rate	**27%**	27%
Expected income tax expense (recovery) on income (loss) before tax	**4,732**	(6,880)
Adjusted for the effects of:		
Change in unrecognized deferred tax assets	**4,510**	13,067
Stock-based compensation	**4,150**	3,470
Share issue costs	**(602)**	(1,126)
Other items not includable or deductible for tax purposes	**(3,465)**	1,279
Foreign rate differences	**(43)**	441
Effects of tax rate changes	**(824)**	75
Other	**852**	736
Adjustments for prior periods	**(6,568)**	(1,835)
Income attributable to non-controlling interest	**(3,892)**	(3,425)
Income tax (recovery) expense	**(1,150)**	5,802

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

(c) Recognized deferred tax (liabilities) assets

As at December 31, 2022, the Company had net recognized deferred tax (liabilities) assets related to its operations. The Company has recorded deferred income tax assets available as it is probable that the benefits of these assets will be realized. Movement in the deferred tax balances is recorded in the consolidated statement of income (loss) and in business combinations as described in Note 23. The following table summarizes the Company's recognized deferred tax (liabilities) assets as at December 31, 2022 and 2021:

	December 31, 2022 $'000	December 31, 2021 $'000
Deferred tax assets:		
Non-capital loss carry-forwards	**5,971**	4,153
Property and equipment	**3,069**	1,722
Share and debt transaction costs	**35**	1,510
Accounts receivable	**-**	1,101
Accrued interest	**8,689**	1,593
ROU assets, lease receivable, and lease liabilities	**327**	286
Contingent liability	**620**	1,902
Stock-based compensation	**1,787**	1,606
Deferred tax liabilities:		
Intangible assets	**(51,170)**	(49,665)
Other	**(34)**	(16)
Net deferred tax liabilities	**(30,706)**	(35,808)

(d) Unrecognized deferred tax assets

As at December 31, 2022, the Company also had unrecognized deferred tax assets related to its operations. These deferred tax assets have not been recognized in the consolidated statements of financial position because of the significant uncertainty regarding whether such benefits will be realized. The following table summarizes the Company's unrecognized deferred tax assets as at December 31, 2022 and December 31, 2021:

	December 31, 2022 $'000	December 31, 2021 $'000
Non-capital loss carryforwards	**54,983**	39,846
Capital loss carryforwards	**4,641**	-
Property and equipment	**8,206**	9,561
Share and debt transaction costs	**5,292**	7,376
ROU Assets, lease receivable, and lease liabilities	**2,305**	1,321
Convertible debentures	**3,612**	642
Charitable donations	**102**	102
Unrecognized deferred tax assets	**79,141**	58,848

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

(e) Non-operating losses

The Company has net operating losses which are available to reduce future year's taxable income in their respective country. The Company's recognized and unrecognized non-capital loss carry forwards expire as follows:

	Canada $'000	United States $'000	Australia $'000	New Zealand $'000	Total $'000
2029	106	-	-	-	106
2030	201	-	-	-	201
2031	387	-	-	-	387
2032	56	-	-	-	56
2033	36	-	-	-	36
2034	297	-	-	-	297
2035	43	-	-	-	43
2036	258	-	-	-	258
2037	1,488	-	-	-	1,488
2038	7,060	-	-	-	7,060
2039	10,457	-	-	-	10,457
2040	2,206	-	-	-	2,206
2041	16,922	-	-	-	16,922
2042	22,746	-	-	-	22,746
Unlimited	-	17,411	1,329	949	19,689
Total	**62,263**	**17,411**	**1,329**	**949**	**81,952**

20. Share Capital

a) Authorized

Unlimited common shares without par value.

b) Issued Common Shares

As at December 31, 2022, the issued share capital consisted of 231,047,290 (December 31, 2021 – 209,147,462) common shares.

c) Private Placements

During the year ended December 31, 2021, the Company completed a financing for $302,500. The financing was structured as a non-brokered offering of subscription receipts at a price of $9.80 per subscription receipt. Share issue costs incurred for the year totalled $4,170.

During the year ended December 31, 2022, the Company completed a private placement financing for gross proceeds of $34,513. The financing was structured as a bought deal offering of 9,327,765 common shares at a price of $3.70 per share. Share issue costs incurred in connection with this financing were $2,184.

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

d) Normal Course Issuer Bid ("NCIB")

On May 10, 2021, the Company announced that the Notice of an Intention it filed to make an NCIB was approved by the TSX. Under the NCIB, the Company was eligible to acquire up to an aggregate of 4,879,031 common shares from May 12, 2021 to May 11, 2022. In accordance with TSX rules, daily purchases made by the Company on the TSX were not to exceed 260,501 common shares, subject to certain prescribed exemptions, being 25% of the average daily trading volume over the preceding six calendar months of 1,042,004 common shares. On May 30, 2022, the Company received approval from the TSX for a renewal of its existing NCIB that expired on May 11, 2022. Under the NCIB, the Company may acquire up to an aggregate of 5,555,386 common shares from June 1, 2022 to May 31, 2023. In accordance with TSX rules, daily purchases made by the Company on the TSX will not exceed 276,932 common shares, subject to certain prescribed exemptions, being 25% of the average daily trading volume over the preceding six calendar months of 1,107,730 common shares. As of December 31, 2022, 50,000 shares were purchased (at an average price of $4.85 per share) and cancelled in conjunction with the previous NCIB and no shares have been purchased under the current NCIB.

e) Options to purchase common shares

(i) Movement in stock options

The changes in stock options during the years ended December 31, 2022 and December 31, 2021 were as follows:

	2022		2021	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Balance outstanding, beginning of year	**6,437,274**	**1.03**	6,974,099	1.03
Options granted	**168,702**	**3.95**	163,000	5.46
Options exercised	**(3,132,286)**	**(0.60)**	(501,075)	(0.76)
Options expired	**(407,774)**	**(0.25)**	-	-
Options forfeited	**(11,875)**	**(2.77)**	(198,750)	(5.07)
Balance outstanding, end of period	**3,054,041**	**1.74**	6,437,274	1.03

During the years ended December 31, 2022 and 2021, the Company recognized stock-based compensation expense of $1,323 and $1,610 respectively, relating to stock options in the audited annual consolidated statements of income (loss).

(ii) Stock options outstanding at the end of the period

The following table summarizes information relating to outstanding and exercisable stock options of the Company as at December 31, 2022:

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

Exercise price $	Options outstanding	Options exercisable	Weighted average remaining contractual life (years)
0.43	335,000	309,693	1.06
0.50	650,000	650,000	0.40
1.42	916,246	651,889	1.53
2.24	665,625	379,367	2.34
3.06	100,000	-	4.75
3.25	223,468	122,413	2.58
5.24	68,702	-	4.27
6.94	95,000	47,502	2.94
	3,054,041	**2,160,864**	**1.70**

The weighted average exercise price of options exercisable as at December 31, 2022 was $1.37 (December 31, 2021 - $0.73).

(iii) Fair value of stock options granted

The fair value of each stock option granted was estimated at the time of grant using the Black-Scholes option pricing model with the following significant inputs:

	Grant date	
	April 6, 2022	**September 30, 2022**
Exercise price	**5.24**	**3.06**
Share price	**5.00**	**3.08**
Risk-free interest rate	**2.51%**	**3.32%**
Expected term	**5 years**	**5 years**
Volatility	**69%**	**68%**
Expected dividend	**None**	**None**
Grant date fair value	**$2.89**	**$1.81**

In estimating expected volatility, the Company considers the historical share price volatility of its common shares.

f) Restricted Share Units ("RSUs")

The changes in RSUs during the years ended December 31, 2022 and 2021 were as follows:

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

	2022	2021
	Number of RSUs	Number of RSUs
Balance outstanding, beginning of year	**4,367,723**	3,564,497
Units granted	**2,322,763**	3,473,584
Units forfeited	**(258,234)**	(641,837)
Units vested	**(2,547,287)**	(2,028,521)
Balance outstanding, end of period	**3,884,965**	4,367,723

During the years ended December 31, 2022 and 2021, the Company recognized stock-based compensation expense of $13,491 and $14,720, respectively, relating to RSUs in the audited annual consolidated statements of income (loss).

g) Performance Share Units ("PSUs")

The changes in PSUs during the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
	Number of PSUs	Number of PSUs
Balance outstanding, beginning of year	**1,505,091**	719,729
Units granted	**2,182,770**	1,373,059
Units vested	**(585,965)**	(295,248)
Units forfeited	**(155,808)**	(292,449)
Balance outstanding, end of period	**2,946,088**	1,505,091

During the years ended December 31, 2022 and 2021, the Company recognized stock-based compensation expense of $9,669 and $4,682, respectively, relating to PSUs in the audited annual consolidated statements of income (loss).

21. Related Party Transactions

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's Board of Directors and certain members of the senior executive team. During the fourth quarter of 2021, the Company re-evaluated the classification of certain employees as key management personnel due to continued growth and organizational changes, resulting in an overall reduction in the number of persons considered to be key management personnel. Starting the fourth quarter of 2021, key management personnel are the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and Chief Operating Officer ("COO"). The remuneration of the Company's key management personnel during the years ended December 31, 2022 and 2021 was as follows:

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

	Years ended	
	December 31, 2022	December 31, 2021
	$'000	$'000
Salaries	**950**	360
Directors' fees	**240**	-
Stock-based compensation expense	**5,339**	3,261
	6,529	3,621

During the year ended December 31, 2022, the Company granted 339,771 RSUs (119,274 to CEO, 47,709 to CFO, 33,396 to COO and 139,392 to Board of Directors), 200,379 PSUs (119,274 to CEO, 47,709 to CFO and 33,396 to COO) and 100,000 stock options (all to Board of Directors). For the year ended December 31, 2021, the Company granted 537,500 RSUs, 475,000 PSUs and nil options to members of key management personnel and Board of Directors.

Included in other current assets as at December 31, 2022 and December 31, 2021 is $4,426 ($2,489 from CEO, $857 from CFO, $1,046 from COO, and $34 from Board of Directors) and $2,550, respectively, of receivables from related parties. These receivables were primarily due to payroll taxes on stock issuance with respect to the RSUs for the related parties.

22. Segment reporting

The Company is organized into operating segments based on its product and service offerings. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and are grouped into reportable segments as follows:

Reportable Segment	Operations
Omni-channel Patient Services - Primary	Primary care and allied health clinic operations
Omni-channel Patient Services - CRH	Specialized care gastroenterology anesthesia services
Omni-channel Patient Services - MyHealth	Primary care, specialty care and accredited diagnostic health service
Virtual Services - Circle Medical	US primary care telehealth operations
Virtual Services - other	Aggregation of electronic medical records ("EMR"), billing and revenue cycle management solutions, digital applications (excluding Circle Medical), and cybersecurity operating segments

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

For the years ended December 31, 2022 and 2021:

	<-----------Omni-channel Patient Services----------->											
	Primary		Specialized-CRH		Specialized-MyHealth		Virtual Services [2]		Corporate/shared services		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Total segment revenue	**70,533**	51,723	**202,015**	132,497	**104,238**	42,456	**192,350**	77,649	**14,391**	15,237	**583,527**	319,562
Inter-segment revenue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(2,001)	**(14,391)**	(15,237)	**(14,391)**	(17,238)
Revenue from external customers	**70,533**	51,723	**202,015**	132,497	**104,238**	42,456	**192,350**	75,648	**-**	-	**569,136**	302,324
Segment profit (loss) before tax, interest and depreciation and amortization [1]	**9,714**	5,058	**70,454**	51,889	**20,759**	8,371	**12,517**	(3,015)	**(16,074)**	(40,624)	**97,370**	21,679
Goodwill and intangible assets	**39,065**	30,549	**589,097**	575,215	**228,595**	230,060	**213,800**	212,404	**-**	-	**1,070,557**	1,048,228

Notes:

1 (a) Included in segment profit (loss) is $47,695 and $15,775 of marketing and promotion expense for the years ended December 31, 2022 and 2021 respectively; and $24,483 and $21,012 of non-cash stock-based compensation expense for the years ended December 31, 2022 and 2021 respectively;
(b) Rent expense is not included in General & administrative nor in the above segment profit (loss) under IFRS 16;
(c) Included a one-time gain on disposal under CRH in the amount of $5,206, and gain in revaluation of deferred acquisition cost in the amount of $27,750 (Note 8) under Corporate/shared service for the year ended December 31, 2022.

2 For the year ended December 31, 2022, Virtual Services revenue was comprised of revenue of $69,397 for Circle Medical (2021 - $19,674) and $122,953 for Virtual Services - Other (2021 - $55,974) and segment profit (loss) before tax, interest and depreciation and amortization is comprised of $7,762 for Circle Medical (2021 – ($1,143)) and $4,755 for Virtual Services - Other (2021 – ($1,602)). At December 31, 2022, Virtual Service goodwill and intangibles assets was comprised of $21,743 for Circle Medical (December 31, 2021 - $21,147) and $192,057 for Virtual Services - Other (December 31, 2021 - $207,921).

A reconciliation of net income (loss) before tax to segment profit before tax, interest and depreciation and amortization is as follows:

	Years ended	
	December 31, 2022	December 31, 2021
	$'000	$'000
Segment profit before tax, interest and depreciation and amortization	**97,370**	21,679
Interest expense	**(25,291)**	(9,009)
Interest income	**649**	555
Depreciation and amortization	**(55,203)**	(38,710)
Net income (loss) before income tax	**17,525**	(25,485)

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

Geographic information

Revenue by geographic location of customers and goodwill and intangible assets by location are summarized as follows. For the years ended December 31, 2022 and 2021:

	US		Canada and others		Canada (Corporate/shared services)		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Total segment revenue	**330,058**	163,198	**239,078**	139,126	**14,391**	17,238	**583,527**	319,562
Inter-segment revenue	**-**	**-**	**-**		**(14,391)**	(17,238)	**(14,391)**	(17,238)
Revenue from external customers	**330,058**	163,198	**239,078**	139,126	**-**	-	**569,136**	302,324
Goodwill and intangible assets	**667,540**	653,563	**403,017**	394,665	**-**	-	**1,070,557**	1,048,228

23. Business combinations and asset acquisitions

a) 2022 Acquisitions:

During the year ended December 31, 2022, the Company acquired interests in the following companies:

Company name	Date of Acquisition	Business/asset acquisition	% Ownership	Place of incorporation	Line of business
Western Carolina Sedation Associates, LLC ("**WCSA**")	Jan 1, 2022	Asset	51%	US	Patient Services – Specialized
Greater Connecticut Anesthesia Associates, LLC ("**GCAA**")	Mar 7, 2022	Asset	100%	US	Patient Services – Specialized
INLIV ("**INLIV**")	Aug 1, 2022	Business	100%	Canada	Patient services – Primary
Phymed of Arizona, LLC ("**PHYMED**")	Sep 26, 2022	Business	100%	US	Patient Services – Specialized
1330945 BC Ltd (False Creek Wellness, "**FCW**")	Nov 1, 2022	Business	100%	Canada	Patient services – Primary
HealthVue Ventures Ltd ("**HVL**") and South Surrey Medical Clinic Inc. ("**SSMC**")	Nov 1, 2022	Business	100%	Canada	Patient services – Primary
Cloud Practice Inc ("**CP**")	Nov 1, 2022	Business	100%	Canada	Virtual Services
HASU Behavioural Health Inc ("**HASU**")	Dec 1, 2022	Business	51%	Canada	Virtual Services

The purchase prices of the acquisitions were satisfied through, where applicable:

(i) cash paid to the vendor, net of working capital adjustments;
(ii) fair value of common shares of the Company issued to the vendor, determined at the opening share price on the date of the issuance;
(iii) working capital/indemnification holdback; and
(iv) non-performance time-based earnout that is treated as a deferred acquisition cost.

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

Time-based earnout payments considered to be acquisition costs have been classified as a financial liability carried at amortized cost. Accordingly, the liability was measured at fair value on initial recognition and is subsequently being measured at amortized cost using the effective interest method. For business combinations, the excess of the fair value of the purchase consideration over the fair values of assets and liabilities acquired is recognized as goodwill. Goodwill is attributable to the workforce, expected synergies and future profitability of the acquired businesses. The Company elected to recognize the non-controlling interests at its proportionate share of the acquired net identifiable assets.

The following table summarizes the fair value of the purchase consideration and the estimated fair values of assets and liabilities acquired at the acquisition dates for business combinations and asset acquisitions that occurred during the year ended December 31, 2022. Purchase price allocations have been classified as "Final" or "Provisional" based on the status of the work performed by the Company to determine net working capital adjustments and the fair value of the assets acquired and liabilities assumed at the acquisition date. The Company may adjust preliminary purchase price allocations, as necessary, up to one year after the acquisition closing date as new information is obtained about facts and circumstances that existed as of the closing date. The WCSA, GCAA, INLIV and Phymed acquisitions have been presented separately given their size.

	WCSA Final	**GCAA Final**	**INLIV Final**	**Phymed Final**	**Other Provisional***	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash	1,649	-	1,645	10,020	5,402	18,716
Pre-transaction equity interest	765	-	-	-	-	765
Fair value of shares issued at closing	-	-	-	-	1,806	1,806
Working capital holdback	-	-	240	429	650	1,319
Deferred acquisition cost (Note 16(a))	143	15,796	-	-	1,508	17,447
Acquisition-related transaction cost	45	132	-	-	-	177
Fair value of previously held interest	-	-	-	-	169	169
Purchase consideration	**2,602**	**15,928**	**1,885**	**10,449**	**9,535**	**40,399**
Cash	31	-	-	254	868	1,153
Accounts receivable and other current assets	685	-	226	3,203	1,095	5,209
Property and equipment	-	-	234	7	-	241
Right-of-use asset	-	-	2,565	-	2,162	4,727
Accounts payable	(71)	-	(229)	(902)	(1,633)	(2,835)
Lease Liability	-	-	(2,565)	-	(2,162)	(4,727)
Unearned revenue	-	-	(1,885)	-	-	(1,885)
Non-controlling interest	(2,501)	-	-	-	(138)	(2,639)
Exclusive professional services agreement ("PSA")	4,458	15,928	-	7,887	-	28,273
Goodwill	-	-	3,539	-	9,343	12,882
Assets and liabilities acquired	**2,602**	**15,928**	**1,885**	**10,449**	**9,535**	**40,399**
PSA amortization term	15 years	10 years	NA	10 years	NA	

*FCW, SSMC, CP and HASU

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

Revenue and net income for acquired businesses included in the Company's audited annual consolidated financial statements for the year ended December 31, 2022, from the date of acquisition of each business are as follows:

	Phymed $'000	Others $'000
Revenue	5,590	5,085
Net income	736	295

If the acquisitions had occurred on January 1, 2022, consolidated pro-forma revenue and net income for the year ended December 31, 2022 would have been $598,990 and $21,213 respectively.

Disposals

On September 1, 2022, the Company, through its subsidiary CRH, sold its 55% interest in West Florida Anesthesia Associates, LLC ("WFAA") and contemporaneously released the remaining restrictive covenants relating to this business and a related entity. Total cash consideration received was $16,510 (US$12,396). The Company recognized a gain on disposal before income taxes of $5,206 (US$3,909), net of transaction costs of $202 (US$152).

b) 2021 Acquisitions

During the year ended December 31, 2021, the Company acquired interests in the following companies:

Company name	Date of cquisition	Business/asset acquisition	% Owner-ship	Place of incorporation	Line of business
Adracare Inc. ("**Adracare**")	Jan 1, 2021	Business	100%	Canada	Virtual Services
Open Health Software Solutions Inc. ("**Open Health**")	Jan 1, 2021	Business	100%	Canada	Virtual Services
Intrahealth Systems Limited ("**Intrahealth**")	Apr 1, 2021	Business	100%	New Zealand	Virtual Services
CRH Medical Corporation ("**CRH**")	Apr 22, 2021	Business	100%	US	Patient Services - Specialized
ExecHealth Inc. ("**ExecHealth**")	May 1, 2021	Business	100%	Canada	Patient services - Primary
New England Anesthesia Associates, LLC ("**NEAA**")	May 1, 2021	Asset	85%	US	Patient Services - Specialized
Northern Indiana Anesthesia Associates, LLC ("**NIAA**")	May 27, 2021	Asset	51%	US	Patient Services - Specialized
FDHS Anesthesia Associates, LLC ("**FDHS-Bradenton**")	May 27, 2021	Asset	51%	US	Patient Services - Specialized
Doctors Services Group ("**DSG**")	Jun 1, 2021	Business	51%	Canada	Virtual Services

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

MyHealth Partners Inc. ("**MyHealth**")	Jul 15, 2021	Business	100%	Canada	Patient Services - Specialized
Greater Washington Anesthesia Associates, LLC ("**GWAA**")	Aug 2, 2021	Asset	51%	US	Patient Services - Specialized
Destin Anesthesia, LLC ("**Destin**")	Aug 30, 2021	Asset	70%	US	Patient Services - Specialized
Durham Nuclear Imaging Inc. ("**Durham**")	Aug 31, 2021	Asset	100%	Canada	Patient Services - Specialized
WISP, Inc. ("**WISP**")	Oct 1, 2021	Business	54%	US	Virtual Services
Pinellas County Anesthesia Associates LLC ("**PCAA**")	Oct 7, 2021	Asset	51%	US	Patient Services - Specialized
AwareMD, Inc. ("**AwareMD**")	Nov 1, 2021	Business	100%	Canada	Virtual Services
Uptown Health Management Inc. ("**Uptown Health**")	Nov 1, 2021	Business	100%	Canada	Patient Services
Uptown Physical Rehabilitation, Chiropractic and Massage Therapy Centre Inc. ("**Uptown Physio**")	Nov 1, 2021	Business	100%	Canada	Patient Services
Jasper Anesthesia Care Associates LLC ("**JACA**")	Nov 3, 2021	Asset	100%	US	Patient Services - Specialized
Utah Anesthesia LLC ("**UA**")	Nov 22, 2021	Asset	100%	US	Patient Services - Specialized
Cleator Clinics Surrey Inc. ("**Cleator Surrey**")	Dec 1, 2021	Business	51%	Canada	Patient Services
2355581 Ontario Inc. ("**CognisantMD**")	Dec 1, 2021	Business	100%	Canada	Virtual Services

The purchase prices of the acquisitions were satisfied through, where applicable:

(i) cash paid to the vendor, net of working capital adjustments;
(ii) fair value of common shares of the Company issued to the vendor, determined at the opening share price on the date of the issuance;
(iii) working capital/indemnification holdback; and
(iv) non-performance time-based earnout that is considered to be deferred acquisition cost.

Time-based earn-out payments considered to be acquisition costs have been classified as a financial liability carried at amortized cost. Accordingly, the liability was measured at fair value on initial recognition and is subsequently being measured at amortized cost using the effective interest method. In determining the fair value of deferred acquisition costs, the future payments due to be paid beyond one year from the acquisition date were discounted using a discount rate of 3.4% to 7%. In estimating the discount rate, the Company used the yield to maturity of high-risk debt.

For business combinations, the excess of the fair value of the purchase consideration over the fair values of assets and liabilities acquired is considered to be goodwill. Goodwill is attributable to the workforce, expected synergies and profitability of the acquired businesses. The Company elected to recognize the non-controlling interests at its proportionate share of the acquired net identifiable assets.

c) 2021 Purchase Price Allocation finalization and restatement

With respect to the acquisitions that occurred during the year ended December 31, 2021, the Company finalized the purchase price allocations for CRH, Adracare, Open Health, Intrahealth, and ExecHealth by December 31, 2021, whereas the purchase price allocations for MyHealth, WISP, AwareMD, CognisantMD, Doctors Services Group, Cleator Surrey and Uptown Health and Physio were treated as provisional at December 31, 2021 based on estimated fair values. During the year ended December 31, 2022, the Company finalized these provisional purchase price allocations. As a result of these finalizations, certain assets and liabilities recorded at the respective acquisition dates including goodwill, intangible assets, property and equipment, deferred tax assets and liabilities and other amounts on the consolidated statements of financial position have been restated to reflect the final fair values allocated to net assets acquired. These restatements also impacted amortization expense, deferred income tax expense and net loss on the consolidated statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2021. As a result, the consolidated statement of loss and comprehensive loss, consolidated statement of cash flows and the consolidated statement of financial position as of and for the period ended December 31, 2021 have been marked as restated.

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

The following table summarizes the fair value of the purchase consideration and the estimated fair values of assets and liabilities acquired at the acquisition dates for business combinations that occurred in 2021 and for which purchase price allocations were finalized either in 2021 or 2022.

	Finalized in 2021		Finalized in 2022												
	CRH	**Others (2021) ***	**MyHealth**			**Wisp**			**CognisantMD**			**Others (2022)****			**Total**
	Finalized	**Finalized**	**Prov.**	**Adj.**	**Finalized**	**Prov.**	**Adj.**	**Finalized**	**Prov.**	**Adj.**	**Finalized**	**Prov.**	**Adj.**	**Finalized**	**Finalized**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash at closing, inclusive of working capital adjustmer	357,912	20,418	79,277	-	79,277	35,102	-	35,102	11,343	-	11,343	3,291	11	3,302	507,354
Fair value of shares issued at closing	-	7,579	65,993	-	65,993	5,750	-	5,750	-	-	-	478	-	478	79,800
Working capital holdback	-	3,379	-	-	-		-	0	-	-	-	347	3	350	3,729
Present value of deferred acquisition cost (Note 16(a	-	169	54,639	-	54,639	8,824	-	8,824	7,000	-	7,000	5,388	-	5,388	76,020
Note payable (Note 17(a))	-	-	30,000	-	30,000		-	0	-	-	-	-	-	-	30,000
Fair value of purchase consideration	**357,912**	**31,545**	**229,909**	**-**	**229,909**	**49,676**	**-**	**49,676**	**18,343**	**-**	**18,343**	**9,505**	**14**	**9,519**	**696,904**
Cash	23,780	2,185	1,756	-	1,756	4,575	-	4,575	1,791	-	1,791	348	-	348	34,435
Accounts receivable and other current assets	92,487	1,949	16,882	(597)	16,339	551	-	551	651	-	651	485	(34)	451	112,429
Inventories	402	-	-	-	-	-	-	-	-	-	-	-	-	-	402
Lease Receivable	-	348	-	-	-	-	-	-	-	-	-	-	835	835	1,183
Investments	2,645	-	-	-	-	-	-	-	-	-	-	-	-	-	2,645
Property and equipment	168	-	30,944	(5,719)	25,225	-	-	-	-	-	-	58	(58)	0	25,393
Other non-current assets	97	-	-	-	-	-	-	-	-	-	-	-	-	-	97
Right-of-use asset	1,196	941	28,800	(347)	28,453	-	-	-	134	-	134	241	1,600	1,841	32,564
Accounts payable and other current liabilities	(39,526)	(1,670)	(17,816)	-	(17,816)	(3,774)	-	(3,774)	(1,191)	-	(1,191)	(1,409)	(85)	(1,494)	(65,471)
Lease liability	(1,257)	(1,289)	(29,443)	414	(29,029)	-	-	-	(134)	-	(134)	(241)	(2,435)	(2,676)	(34,384)
Unearned revenue	-	(1,094)	-	-	-	-	-	-	-	-	-	-	-	-	(1,094)
Bank loans and other borrowings	(167,462)	(45)	(424)	-	(424)	-	-	-	-	-	-	(327)	46	(281)	(168,212)
Deferred acquisition costs	(3,480)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,480)
Deferred tax liabilities	(2,796)	(1,913)	(3,687)	(18,557)	(22,244)	-	(4,129)	(4,129)	-	(1,831)	(1,831)	-	(748)	(748)	(33,661)
Non-controlling interests	(60,989)	-	(1,501)	-	(1,501)	(624)	(90)	(714)	-	-	-	478	60	539	(62,666)
Customer relationship (Note 14)	256,988	3,684	-	-	-	-	12,342	12,342	-	2,263	2,263	-	1,435	1,435	276,712
Brand (Note 14)	-	-	-	4,733	4,733	-	2,950	2,950	-	1,521	1,521	-	-	-	9,204
Technology (Note 14)	-	-	-	-	-	-	-	-	-	3,126	3,126	-	1,387	1,387	4,513
License (Note 14)	5,948	4,258	40,248	142,130	182,318	-	-	-	-	-	-	-	-	-	192,524
Goodwill (Note 14)	249,711	24,191	164,150	(122,057)	42,099	48,948	(11,073)	37,875	17,091	(5,079)	12,012	9,871	(1,989)	7,882	373,770
Fair values of assets and liabilities acquired	**357,912**	**31,545**	**229,909**	**-**	**229,909**	**49,676**	**-**	**49,676**	**18,343**	**-**	**18,343**	**9,505**	**14**	**9,519**	**696,904**

* Others (2021) include Adracare, Open Health, Intrahealth, and ExecHealth.
**Others (2022) include DSG, AwareMD, Uptown Health, Uptown Physio, and Cleator Surrey.

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

Revenue and net income for acquired businesses are included in the Company's audited annual consolidated financial statements for the year ended December 31, 2021, from the date of acquisition of each business:

	CRH	MyHealth	WISP	Others
	$'000	$'000	$'000	$'000
Revenue	132,497	42,456	11,027	11,672
Net income	17,105	1,850	22	863

If the acquisitions had occurred on January 1, 2021, consolidated pro-forma revenue and net loss for the year ended December 31, 2021 would have been $454,452 and ($19,624) respectively.

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

24. Cash Flow Information

	Years ended	
	December 31, 2022	December 31, 2021 Restated (Note 23)
	$'000	$'000
Change in non-cash operating items:		
Accounts and other receivables	**(9,370)**	(15,207)
Inventory	**(577)**	876
Other current assets	**(7,870)**	(518)
Other non-current assets	**(2,534)**	(300)
Accounts payable and accrued liabilities	**10,554**	1,598
Unearned revenue	**563**	(324)
Income tax payable	**485**	1,744
Deferred tax assets	**(2,716)**	(4,320)
Deferred tax liabilities	**1,738**	4,126
Other non-current liabilities	**668**	-
Other current liabilities	**3,001**	1,027
	(6,058)	(11,298)

	Years ended	
	December 31, 2022	December 31, 2021
	$'000	$'000
Equity and debt investments in associates and others:		
Investment in Phelix	-	(523)
Investment in Twig	-	(250)
Investment in Bright	-	(250)
Investment in Tap Medical	-	(250)
Investment in Tali.ai	-	(1,000)
Investment in Cherry Health	-	(250)
Investment in Focus Mental Wellness	-	(600)
	-	(3,123)

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

	Years ended December 31, 2022 $'000	December 31, 2021 $'000
Business acquisitions, net of cash acquired (Note 23):		
Source44	**-**	(1,175)
Adracare	**-**	(3,560)
Open Health	**-**	(349)
IntraHealth	**-**	(10,652)
CRH	**-**	(274,310)
ExecHealth	**-**	(3,953)
DSG	**-**	(252)
MyHealth	**-**	(80,185)
WISP	**-**	(30,527)
AwareMD	**-**	(1,883)
Uptown Health	**-**	(672)
Uptown Physio	**-**	(121)
Cleator Surrey	**-**	2
CognisantMD	**-**	(9,551)
Oreagan North York	**-**	5
Inliv	**(1,885)**	-
Phymed	**(9,766)**	-
False Creek Wellness	**125**	-
Healthvue/Cloudpractice	**(4,618)**	-
Focus Mental	**(151)**	-
	(16,295)	(417,183)
Asset acquisitions (Note 23):		
NEAA	**-**	(5,738)
NIAA	**-**	(2,872)
FDHS-Bradenton	**-**	(1,782)
GWAA	**-**	(7,529)
Destin	**-**	(3,124)
Jasper	**-**	(1,283)
PCAA	**-**	(11,872)
UA	**-**	(14,393)
Durham	**-**	(1,200)
GCAA	**(132)**	-
WCSA	**(1,049)**	-
MyHealth licences	**970**	-
	(211)	(49,793)

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

25. Financial Instruments

a. Classification of financial instruments

The following table summarizes the Company's financial instruments and their carrying amounts:

	December 31, 2022	December 31, 2021
Financial assets at amortized cost	**$'000**	$'000
Cash and cash equivalents	**48,908**	61,919
Accounts and other receivables	**78,914**	66,020
Lease receivable	**2,448**	2,730
Other current and non-current assets	**24,294**	13,728
	154,564	144,397
Financial assets at fair value through profit or loss ("FVPL")		
Equity and debt investments	**5,636**	5,392
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**50,728**	38,713
Loans and borrowings	**252,474**	340,748
Deferred acquisition costs	**38,497**	85,603
Lease liability	**61,263**	61,188
Other current and non-current liabilities	**18,233**	12,751
	421,195	539,003

b. Fair value measurements

The fair value hierarchy establishes three levels to reflect the significance of the inputs used in making the measurements:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – 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 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not have any fair value measurements categorized within level 1 or 2 of the fair value hierarchy.
The carrying value of the Company's financial instruments approximate their fair value, except where stated below.

The Company's loans and borrowings, which are mainly comprised of the JPM facility and the RBC facility (Note 17), are floating rate instruments which are based on SOFR/CDOR plus 1.25% to

3.25% dependent on CRH's total leverage ratio and MyHealth's total funded debt to EBITDA ratio. The Company has estimated the fair value of these financial instruments to be $181,247 (US$133,821) for the JPM facility, as at $75,275 for RBC facility as at December 31, 2022 based on Level 3 unobservable inputs.

The investments in Phelix, Twig, Bright, Tap Medical, Tali.ai, Cherry Health and an anesthesia revenue cycle management organization are classified as financial assets at FVPL. The fair value measurements of the investments are categorized within Level 3 of the fair value hierarchy. As at December 31, 2022 and December 31, 2021, in the absence of observable market data and any facts to suggest otherwise, management concluded that the fair value of the investments approximated the cost.

c. Financial risk management

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligation. Credit risk arises from the Company's financial assets. The carrying value of the financial assets represents the maximum exposure to credit risk. The Company limits its exposure to credit risk on cash and cash equivalents by placing these financial instruments with high-credit quality financial institutions and only investing in liquid, investment grade securities.

No single customer accounts for more than 10% of the Company's consolidated revenue. The Company establishes an estimate for expected credit losses on accounts receivable if it is determined that all or part of the outstanding balance is uncollectable. Collectability is reviewed regularly and an estimate is established or adjusted, as necessary, using a combination of the specific identification method, historic collection patterns and existing economic conditions. Estimates are subject to change as they are impacted by the nature of collectability, which may involve delays and the current uncertainty in the economy.

The Company's exposure to credit risk is considered to be low, given the size and nature of the various counterparties involved and their history of performance. The Company's revenue from clinic operations is from billings for insured services paid for by the provincial health authorities. The Company recognizes anesthesia service revenues, net of contractual adjustments and implicit price concessions, which are estimated based on the historical trend of cash collections and contractual adjustments. As a result, anesthesia related receivables reflect the amount the Company expects to receive from patients and third-party insurers at the reporting period end and thus credit risk is considered to be limited.

As at December 31, 2022, the Company had accounts and other receivables of $78,914 (December 31, 2021 - $66,020), net of expected credit losses of $3,619 (December 31, 2021 - $1,091) (Note 9).

The aging of gross trade accounts receivable as at December 31, 2022 and 2021 was as follows:

(Expressed in thousands of Canadian dollars unless otherwise stated, except share and per share amounts)

	December 31, 2022 $'000	December 31, 2021 $'000
Not past due	**40,351**	32,159
Past due 1 -30 days	**12,330**	14,916
Past due 31 - 90 days	**8,766**	6,138
Past due 90+ days	**20,564**	12,389
Trade accounts receivable	**82,011**	65,602
Other accounts receivable	**522**	1,509
Total gross accounts receivable	**82,533**	67,111

The movement in the expected credit loss allowance in respect of accounts and other receivables was as follows:

	$'000
Balance as at December 31, 2020	240
Amounts written off and other	(171)
Net remeasurment of loss allowance	1,016
Foreign exchange translation	6
Balance as at December 31, 2021	**1,091**
Amounts written off and other	(10,041)
Net remeasurment of loss allowance	12,428
Foreign exchange translation	141
Balance as at December 31, 2022	**3,619**

Liquidity risk

Liquidity risk references the Company's ability to meet its financial obligations as they fall due and remain solvent. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. To date, the Company has generated operating losses and net cash outflows from operations, and has relied on equity, convertible debentures, and bank borrowings to fund its operations and acquisitions and will need to continue to secure additional funding for operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that financing will be on terms advantageous to the Company.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at December 31, 2022, the Company's major interest bearing liabilities are its JPM facility and RBC facility (Note 17). With all other variables held constant, a 10% increase in the interest rate would have reduced net income by approximately $831 (2021 – $489) for the year ended December 31, 2022. There would be an equal and opposite impact on net income with a 10% decrease in the interest rate.

On February 28, 2023, the Company entered into an interest rate swap agreement to hedge variable rate interest obligations on US$50,000 of borrowings under its JPM credit facility at a fixed interest rate of 4.68% plus applicable margin.

Foreign currency risk

The Company is exposed to foreign exchange risk on revenue contracts, purchase contracts and loans and borrowings denominated in currencies other than the currency of the Company's contracting entity. For Canadian operations, this is typically the United States dollar and for U.S. entities, this is typically the Canadian dollar. The Company is also exposed to foreign currency risk on translation of the net assets of its foreign operations to Canadian dollars.

The Company from time-to-time uses foreign currency contracts to manage its exposure to transactions in foreign currencies. These transactions include forecasted transactions and firm commitments denominated in foreign currencies. The Company does not apply hedge accounting to any of its hedging relationships that involve foreign currency contracts.

The Company had the following foreign currency contracts outstanding as at December 31, 2022:

i) a foreign currency forward contract to sell US$7,000 on January 13, 2023 at an exchange rate of 1.3512 CAD/USD. The carrying value of the forward contract was a liability of $22 as at December 31, 2022.

ii) an at maturity variable rate foreign currency forward contract to sell US$5,000 on April 4, 2023 at an exchange rate that depends on the prevailing CAD/USD spot rate on April 3, 2023. If the prevailing spot rate on April 3, 2023 is either less than 1.2850 CAD/USD or greater than 1.3335 CAD/USD, the forward contract will settle at 1.2850 CAD/USD. If the prevailing spot rate on April 3, 2023 is greater than 1.2850 CAD/USD and less than 1.3335 CAD/USD, no settlement is required. The carrying value of the at maturity variable rate forward contract was a liability of $347 as at December 31, 2022.

There were no foreign currency contracts outstanding as at December 31, 2021.

A 10% movement in foreign exchange rates versus the United States dollar would result in approximately $4,200 change in the Company's net income (excluding impact of foreign currency forward contracts revaluation).

26. Events After the Reporting Period

On March 1, 2023, the Company completed the acquisition of 51% interest in Affiliated Tampa Anesthesia Associates, LLC ("**ATAA**") for cash consideration of $6,100 (US$4,535) plus transaction costs.

On March 1, 2023, the Company announced it has made a strategic investment in doctorly GmbH ("**doctorly**"), a medical practice management software provider based in Germany. The Company is investing as part of a syndicate of investors including of some of the world's venture capital firms.