Consolidated Financial Statements of

MEDICAL FACILITIES CORPORATION

December 31, 2023 and 2022
(In U.S. dollars)

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Medical Facilities Corporation (the "Corporation") are the responsibility of management and have been approved by the Board of Directors of the Corporation. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Corporation maintains appropriate systems of internal control, policies and procedures, which provide management with reasonable assurance that assets are safeguarded from loss or unauthorized use and financial records are reliable and form a proper basis for the preparation of the consolidated financial statements.

The Board of Directors of the Corporation ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. The Board of Directors appoints the Audit Committee, all members of which are independent members of the Board of Directors. The Audit Committee meets periodically with management and the Corporation's auditors to discuss the results of the audit, the adequacy of internal controls and financial reporting matters. On the recommendation of the Audit Committee, the consolidated financial statements are forwarded to the Board of Directors for its approval.

"Jason P. Redman"	*"David N.T. Watson"*
Jason P. Redman President and Chief Executive Officer	David N.T. Watson Chief Financial Officer

Toronto, Canada
March 13, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Medical Facilities Corporation

Opinion

We have audited the consolidated financial statements of Medical Facilities Corporation and its subsidiaries (together, the "Company"), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 of the current period. 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. We have determined that there are no key audit matters to communicate in our report.

Other matter

The consolidated financial statements of the Company for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 8, 2023.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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 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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern for at least, but not limited to, twelve months from the end of the reporting period; 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 absolute assurance and therefore 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 judgement 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, 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 of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton

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

Grant Thornton LLP

Miami, Florida
March 13, 2024

MEDICAL FACILITIES CORPORATION

Consolidated Balance Sheets
(In thousands of U.S. dollars)

	Note	December 31, 2023 $	December 31, 2022 $
ASSETS			
Current assets			
Cash and cash equivalents		24,113	34,926
Accounts receivable	11.4.2	61,766	64,040
Supply inventory		9,008	9,227
Prepaid expenses and other receivables		7,137	10,549
Income tax receivable		733	587
Total current assets		**102,757**	**119,329**
Non-current assets			
Deferred income tax assets	14	70	20
Property and equipment	5	79,617	74,155
Right-of-use assets	17.1	40,566	50,564
Goodwill	6.1	120,623	120,623
Other intangibles	6.2	11,252	13,100
Total non-current assets		**252,128**	**258,462**
TOTAL ASSETS		**354,885**	**377,791**
LIABILITIES AND EQUITY			
Current liabilities			
Dividends payable		1,503	1,539
Accounts payable		23,152	26,402
Accrued liabilities		20,694	22,211
Income tax payable		10	-
Obligation for purchase of common shares	8.4	2,136	4,420
Current portion of long-term debt	7	14,350	9,729
Current portion of lease liabilities	7	9,159	10,183
Government stimulus funds repayable	4	11,957	12,335
Total current liabilities		**82,961**	**86,819**
Non-current liabilities			
Long-term debt	7	38,749	39,864
Lease liabilities	7	38,551	47,178
Deferred income tax liability	14	20,234	15,884
Corporate credit facility	7	16,000	36,000
Exchangeable interest liability	11.1	40,087	37,354
Total non-current liabilities		**153,621**	**176,280**
Total liabilities		**236,582**	**263,099**
Equity			
Share capital	8.1	348,099	353,237
Contributed surplus		716	1,192
Accumulated deficit		(262,827)	(275,295)
Equity attributable to owners of the Corporation		**85,988**	**79,134**
Non-controlling interest	9	32,315	35,558
Total equity		**118,303**	**114,692**
TOTAL LIABILITIES AND EQUITY		**354,885**	**377,791**
Commitments and contingencies	18		

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

MEDICAL FACILITIES CORPORATION

Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)

	Note	Attributable to Owners of the Corporation				Non-controlling Interest	Total Equity
		Share Capital $	Contributed Surplus $	Accumulated Deficit $	Total $	$	$
2023							
Balance at January 1, 2023		353,237	1,192	(275,295)	79,134	35,558	114,692
Net income and comprehensive income for the year		-	-	18,503	18,503	25,496	43,999
Stock options expense, net of gain on forfeitures	19.1	-	(476)	-	(476)	-	(476)
Dividends to owners of the Corporation		-	-	(6,035)	(6,035)	-	(6,035)
Distributions to non-controlling interest	9	-	-	-	-	(27,491)	(27,491)
Redemption of non-controlling interest in MFC Nueterra ASCs		-	-	-	-	(8)	(8)
Sale of MFC Nueterra ASCs		-	-	-	-	(1,240)	(1,240)
Purchase of common shares under normal course issuer bids	8.3	(7,422)	-	-	(7,422)	-	(7,422)
Change in obligation for purchase of common shares	8.4	2,284	-	-	2,284	-	2,284
Balance at December 31, 2023		**348,099**	**716**	**(262,827)**	**85,988**	**32,315**	**118,303**
2022							
Balance at January 1, 2022		389,510	1,859	(263,817)	127,552	45,598	173,150
Net income (loss) and comprehensive income (loss) for the year		-	-	(4,405)	(4,405)	16,700	12,295
Stock options expense, net of gain on forfeitures	19.1	-	(667)	-	(667)	-	(667)
Dividends to owners of the Corporation		-	-	(7,073)	(7,073)	-	(7,073)
Distributions to non-controlling interest	9	-	-	-	-	(26,545)	(26,545)
Redemption of non-controlling interest in MFC Nueterra ASCs		-	-	-	-	(195)	(195)
Purchase of common shares under normal course issuer bids	8.3	(12,508)	-	-	(12,508)	-	(12,508)
Change in obligation for purchase of common shares	8.4	2,111	-	-	2,111	-	2,111
Purchase of common shares under a substantial issuer bid	8.5	(25,876)	-	-	(25,876)	-	(25,876)
Balance at December 31, 2022		**353,237**	**1,192**	**(275,295)**	**79,134**	**35,558**	**114,692**

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

MEDICAL FACILITIES CORPORATION

Consolidated Statements of Income and Comprehensive Income
(In thousands of U.S. dollars, except per share amounts)

		Year Ended December 31,	
	Note	2023 $	2022 $
Revenue and other income			
Facility service revenue		445,582	424,551
Government stimulus income, net of reversals	4	-	(10,162)
		445,582	**414,389**
Operating expenses			
Salaries and benefits		134,035	127,352
Drugs and supplies		148,900	143,925
General and administrative expenses		74,001	70,861
Impairment of goodwill, other intangibles and equipment	6.3	-	16,549
Depreciation of property and equipment	5	9,528	9,288
Depreciation of right-of-use assets	17.1	10,701	10,837
Amortization of other intangibles	6.2	1,308	638
		378,473	**379,450**
Income from operations		**67,109**	**34,939**
Finance costs			
Change in value of exchangeable interest liability	11.1	2,733	(8,224)
Interest expense on exchangeable interest liability		7,243	7,362
Interest expense, net of interest income	15	6,156	5,731
Impairment loss on loans receivable		786	11,990
Loss on foreign currency		34	3
		16,952	**16,862**
Non-operating (gains) losses			
Gain on sale of subsidiaries and equity investments	1	(2,487)	-
Share of equity loss in associates		320	574
		(2,167)	**574**
Income before income taxes		**52,324**	**17,503**
Income tax expense	14	8,325	5,208
Net income and comprehensive income for the year		**43,999**	**12,295**
Attributable to:			
Owners of the Corporation		18,503	(4,405)
Non-controlling interest	9	25,496	16,700
		43,999	**12,295**
Earnings (loss) per share attributable to owners of the Corporation			
Basic	8.2	$ 0.73	$ (0.15)
Fully diluted	8.2	$ 0.73	$ (0.15)

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

MEDICAL FACILITIES CORPORATION

Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

	Note	Year Ended December 31, 2023 $	2022 $
Cash flows from operating activities			
Net income for the year		43,999	12,295
Adjustments for:			
Depreciation of property and equipment	5	9,528	9,288
Depreciation of right-of-use assets	17.1	10,701	10,837
Amortization of other intangibles	6.2	1,308	638
Impairment of goodwill, other intangibles and equipment	6.3	-	16,549
Change in value of exchangeable interest liability	11.1	2,733	(8,224)
Interest expense, net of interest income		13,399	13,093
Impairment loss on loans receivable		786	11,990
Loss on foreign currency		34	3
Gain on sale of subsidiaries and equity investments	1	(2,487)	-
Share of equity loss in associates		320	574
Income tax expense	14	8,325	5,208
Stock options expense, net of gain on forfeitures	19.1	(476)	(667)
Loss on sale of non-controlling interest in Black Hills Surgical Physicians, LLC		-	5
Gain on sale of non-controlling interest in Unity Medical and Surgical Hospital		-	(293)
Loss on wind-up of Mountain Plains Real Estate Holdings, LLC		-	6
Other non-cash loss (gain)		18	(9)
		88,188	71,293
Net changes in non-cash operating working capital	10	(488)	(6,211)
		87,700	65,082
Interest paid, net of received		(10,825)	(10,408)
Income and withholding taxes (paid) received		(4,161)	2,339
Net cash provided by operating activities		**72,714**	**57,013**
Cash flows from investing activities			
Purchase of property and equipment	5	(16,053)	(6,718)
Redemption of non-controlling interest in MFC Nueterra ASCs		(8)	(195)
Proceeds from sale of MFC Nueterra ASCs, net of cash disposed	1	2,394	-
Investment in St. Luke's Surgery Center of Chesterfield, LLC		-	(535)
Proceeds from sale of non-controlling interest in Black Hills Surgical Physicians, LLC		-	336
Proceeds from sale of non-controlling interest in Unity Medical and Surgical Hospital		-	606
Proceeds from wind-up of Mountain Plains Real Estate Holdings, LLC		-	731
Net cash used in investing activities		**(13,667)**	**(5,775)**
Cash flows from financing activities			
Net (repayments of) proceeds from revolving credit facilities and issuance of notes payable	7	(9,031)	12,749
Repayments of notes payable by the Facilities	7	(7,060)	(6,726)
Payment of lease liabilities	7,17.3	(12,751)	(12,496)
Loans receivable from associates		-	1,544
Distributions to non-controlling interest	9	(27,491)	(26,545)
Dividends paid		(6,071)	(7,495)
Purchase of common shares under normal course issuer bids	8.3	(7,422)	(12,508)
Purchase of common shares under a substantial issuer bid	8.5	-	(25,876)
Net cash used in financing activities		**(69,826)**	**(77,353)**
Decrease in cash and cash equivalents		**(10,779)**	**(26,115)**
Effect of exchange rate fluctuations on cash balances held		(34)	(3)
Cash and cash equivalents, beginning of the year		34,926	61,044
Cash and cash equivalents, end of the year		**24,113**	**34,926**

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

1. REPORTING ENTITY

Medical Facilities Corporation (the "Corporation") is a British Columbia corporation. The address of the Corporation's head office is 4576 Yonge Street, Suite 701, Toronto, Ontario, Canada. The common shares of the Corporation are listed on the Toronto Stock Exchange under the ticker symbol "DR".

The Corporation's operations are based in the United States. Through its wholly-owned subsidiaries, the Corporation owns controlling interests in four specialty hospitals and one ambulatory surgery center ("ASC") (collectively the "Facilities").

During 2023, the Corporation completed the divestiture of five ASCs (the "MFC Nueterra ASCs") which it indirectly owned through a partnership between its wholly-owned U.S. subsidiary and Nueterra MF Holdings, LLC ("MFC Nueterra Partnership").

Clinical operations were permanently closed at Eastwind Surgical, LLC on May 5, 2023, and the legal entity was subsequently dissolved on February 18, 2024. Clinical operations were also permanently closed at Riverview Ambulatory Surgical Center, LLC on June 30, 2023, which is in the process of being wound-up, as part of which its assets have been liquidated, with net proceeds remaining after payment of liabilities, if any, to be distributed among its respective owners. Certain gains and losses were recorded in connection with these developments in general and administrative expenses, the net impact of which is insignificant.

On July 1, 2023, the Corporation sold all of its 30.3% controlling ownership interest in City Place Surgery Center, together with its 28.0% non-controlling ownership interest in St. Luke's Surgery Center of Chesterfield, LLC ("St. Luke's ASC"), for combined proceeds of $1,365. The buyer also assumed St. Luke's ASC's debt of $4,978 and released the Corporation from its pro-rata guarantee. In connection with this transaction, the Corporation recorded a pre-tax gain of $1,070.

On July 31, 2023, the Corporation sold all of its 58.7% controlling ownership interest in Miracle Hills Surgery Center, LLC for proceeds of $965. In connection with this transaction, the Corporation recorded a pre-tax gain of $568.

On August 25, 2023, the Corporation sold all of its 49.6% controlling ownership interest in Brookside Surgery Center, LLC for proceeds of $1,125. In connection with this transaction, the Corporation recorded a pre-tax gain of $849.

As of the dates of the above sale transactions, the Corporation no longer consolidates the financial results of these ASCs. In addition, the management services agreement between MFC Nueterra Partnership and NueHealth, LLC, providing for management services to the MFC Nueterra ASCs, was terminated effective September 30, 2023.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

1. REPORTING ENTITY (Continued)

The Corporation's ownership interest in and the location of its operating subsidiaries are as follows:

		Ownership Interest December 31,	
Subsidiary	**Location**	**2023**	**2022**
Arkansas Surgical Hospital, LLC ("ASH")	North Little Rock, Arkansas	51.0%	51.0%
Oklahoma Spine Hospital, LLC ("OSH")	Oklahoma City, Oklahoma	64.0%	64.0%
Black Hills Surgical Hospital, LLP ("BHSH")	Rapid City, South Dakota	54.2%	54.2%
Sioux Falls Specialty Hospital, LLP ("SFSH")	Sioux Falls, South Dakota	51.0%	51.0%
The Surgery Center of Newport Coast ("SCNC")	Newport Beach, California	51.0%	51.0%
MFC Nueterra ASCs (1)	Various	-	47.1%

(1) As of December 31, 2022, the Corporation had an average ownership interest of 47.1% in five ASCs situated in Michigan, Missouri, Nebraska, Ohio, and Pennsylvania. The Corporation completed the divestiture of all MFC Nueterra ASCs during the year ended December 31, 2023.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. The Corporation's material accounting policies are presented in Note 20 to these consolidated financial statements.

These consolidated financial statements were approved for issue by the Corporation's Board of Directors on March 13, 2024.

3. BASIS OF PREPARATION

These consolidated financial statements include the accounts of the Corporation and its subsidiaries and have been prepared on the historical cost basis except for certain financial instruments and share-based compensation, which are measured at fair value (Note 20.15).

The Corporation's consolidated financial statements are reported in U.S. dollars which is its functional and presentation currency. All financial information presented in U.S. dollars has been rounded to the nearest thousand, unless otherwise indicated.

4. GOVERNMENT STIMULUS

The *Coronavirus Aid, Relief, and Economic Security (CARES) Act* (the "CARES Act") was signed into law on March 27, 2020 in response to COVID-19. The CARES Act included provisions for financial assistance to healthcare providers via, among other provisions, the Public Health and Social Services Emergency Fund ("PHSSEF"), the Paycheck Protection Program ("PPP"), the Employee Retention Credit ("ERC"), and expansion of an existing Centers for Medicare and Medicaid Services accelerated payment program.

4. GOVERNMENT STIMULUS (Continued)

The PHSSEF was administered by the U.S. Department of Health and Human Services ("HHS") to provide eligible healthcare providers with relief funds to cover non-reimbursable expenses, including lost revenue, attributable to COVID-19. Funds not utilized for eligible expenses and not applied to lost revenues must be returned. The recognition of amounts received was conditioned upon receipt of the funds, the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, and certification that the payment would be used to prevent, prepare for and respond to COVID-19. For the year ended December 31, 2023, the Facilities did not receive any funds from the HHS (December 31, 2022: $932).

The PPP expanded the guaranteed lending program under Section 7(a) of the *Small Business Act* administered by the U.S. Small Business Administration ("SBA"). To the extent the recipient was eligible to receive the loan, the loan amounts received were eligible for forgiveness to the extent they were used for certain qualifying expenses and to maintain payroll levels and related expenses during the 8 to 24-week period following loan origination.

The Facilities recognized income for the PPP loans received during prior periods based on reasonable assurance that they had met the forgiveness requirements. As such, $1,479 and $12,226 were recognized as government stimulus income for the years ended December 31, 2021 and 2020, respectively.

However, due to the denial and additional review of certain loan forgiveness applications by the SBA in 2022, the Corporation no longer had reasonable assurance of meeting the forgiveness requirements for loans of $12,335. As a result, these were reversed from government stimulus income during the year ended December 31, 2022, and recorded as a liability under government stimulus funds repayable as of December 31, 2022.

Subsequent to the divestiture of the MFC Nueterra ASCs, there remains a balance of $11,957 in the government stimulus funds repayable in the consolidated balance sheet as of December 31, 2023.

There remains uncertainty over the final outcome as forgiveness applications for these PPP loans must still be formally decided upon by the SBA. Management plans to diligently pursue all reasonably available channels for reversing any denials. Any loans subsequently forgiven will result in a recognition of income and a reversal of the corresponding liability.

The ERC was a refundable tax credit against certain employment taxes that could be claimed by eligible employers whose business had been financially impacted by COVID-19. For the year ended December 31, 2023, the Facilities had no claims approved under the ERC (December 31, 2022: $608).

Most COVID-19 related government stimulus funds introduced under past or present legislation had been fully exhausted or terminated by December 31, 2022. In relation to the financial assistance received, there can be no assurance that the Facilities will be able to comply with the applicable terms and conditions to retain such assistance.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

4. GOVERNMENT STIMULUS (Continued)

Government stimulus income, net of reversals included in the consolidated statements of income and comprehensive income consists of the following:

	Year Ended December 31,	
	2023 $	2022 $
HHS	-	1,434
PPP	-	(12,335)
ERC	-	608
Other	-	131
Government stimulus income, net of reversals	**-**	**(10,162)**

5. PROPERTY AND EQUIPMENT

	Note	Land and Improvements $	Construction in Progress $	Building and Improvements $	Equipment and Furniture $	Total $
Cost						
Balance at January 1, 2022		6,201	654	91,851	71,032	169,738
Additions		34	1,280	308	5,096	6,718
Transfers		2	(1,096)	714	380	-
Disposals		-	-	(7)	(339)	(346)
Balance at December 31, 2022		6,237	838	92,866	76,169	176,110
Additions		6,954	3,870	561	4,668	16,053
Transfers		75	(4,118)	1,089	2,954	-
Disposals		-	-	-	(1,370)	(1,370)
Divestiture of MFC Nueterra ASCs	1	-	-	(1,366)	(10,001)	(11,367)
Balance at December 31, 2023		**13,266**	**590**	**93,150**	**72,420**	**179,426**
Accumulated depreciation						
Balance at January 1, 2022		(205)	-	(46,116)	(46,214)	(92,535)
Charged for the year		(17)	-	(5,677)	(3,594)	(9,288)
Disposals		-	-	7	339	346
Impairment loss	6.3	-	-	-	(478)	(478)
Balance at December 31, 2022		(222)	-	(51,786)	(49,947)	(101,955)
Charged for the year		(25)	-	(3,153)	(6,350)	(9,528)
Disposals		-	-	-	1,370	1,370
Divestiture of MFC Nueterra ASCs	1	-	-	1,210	9,094	10,304
Balance at December 31, 2023		**(247)**	**-**	**(53,729)**	**(45,833)**	**(99,809)**
Carrying amounts						
At December 31, 2022		6,015	838	41,080	26,222	74,155
At December 31, 2023		**13,019**	**590**	**39,421**	**26,587**	**79,617**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

6. GOODWILL AND OTHER INTANGIBLES

6.1 Goodwill

The carrying amount of goodwill as of December 31, 2023 was $120,623 (2022: $120,623).

6.2 Other intangibles

	Note	Hospital Operating Licenses $	Medical Charts and Records $	Care Networks $	Trade Names $	Non-Compete $	Total $
Cost							
Balance at January 1, 2022		2,016	7,399	195,922	11,090	2,208	218,635
Balance at December 31, 2022		2,016	7,399	195,922	11,090	2,208	218,635
Divestiture of MFC Nueterra ASCs	1	(540)	-	-	(1,961)	(1,080)	(3,581)
Balance at December 31, 2023		**1,476**	**7,399**	**195,922**	**9,129**	**1,128**	**215,054**
Accumulated amortization							
Balance at January 1, 2022		(1,461)	(7,399)	(192,734)	(384)	(2,208)	(204,186)
Charged for the year		-	-	(540)	(98)	-	(638)
Impairment loss	6.3	-	-	-	(711)	-	(711)
Balance at December 31, 2022		(1,461)	(7,399)	(193,274)	(1,193)	(2,208)	(205,535)
Charged for the year		(15)	-	(525)	(768)	-	(1,308)
Divestiture of MFC Nueterra ASCs	1	-	-	-	1,961	1,080	3,041
Balance at December 31, 2023		**(1,476)**	**(7,399)**	**(193,799)**	**-**	**(1,128)**	**(203,802)**
Carrying amounts							
At December 31, 2022		555	-	2,648	9,897	-	13,100
At December 31, 2023		**-**	**-**	**2,123**	**9,129**	**-**	**11,252**
Amortization period (years)		5 - Indefinite Life	5-7	9-15	20 - Indefinite life	3-5	

6.3 Impairment

The Corporation performed its annual impairment tests for goodwill and other intangibles with indefinite lives as of December 31, 2023 and 2022. Based on the assessment, the Corporation did not record any impairment loss for the year ended December 31, 2023. For the year ended December 31, 2022, the Corporation recorded an impairment loss of $16,549 in the MFC Nueterra ASCs cash-generating unit ("CGU"), of which, $14,383 pertained to the Corporation's controlling interest, while $2,166 related to the non-controlling interest owners. Of the total impairment loss recorded, $15,360 related to goodwill, $711 to other intangibles, and $478 to property and equipment.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

6. GOODWILL AND OTHER INTANGIBLES (Continued)

The Corporation identified five CGUs for the year ended December 31, 2023, and six CGUs for the year ended December 31, 2022, for which impairment testing was performed. The MFC Nueterra ASCs, which were managed as a network, collectively represented a single CGU, until the completion of their divestiture in August 2023. The remaining Facilities represent subsidiary operations which are independent of each other and are therefore identified as separate CGUs.

For the year ended December 31, 2023, management calculated the recoverable amount of the CGUs by determining the fair value less costs of disposal (“FVLCD”). The FVLCD is determined by multiplying the earnings before interest, taxes, depreciation and amortization for the trailing twelve months (“TTM EBITDA”) by a market multiple relevant to the CGU. The inputs used in the calculation of FVLCD are Level 3 inputs under IFRS 13, *Fair Value Measurement* (“IFRS 13”). Management has estimated costs of disposal to be 1% (2022: 1%) of the fair value of the CGUs, based on recent market data.

For the year ended December 31, 2022, management calculated the recoverable amount of the MFC Nueterra ASCs CGU by determining the value in use (“VIU”), and of the remaining CGUs by determining the FVLCD. The VIU of the MFC Nueterra ASCs CGU was determined based on an income approach by discounting the future cash flows generated from continuing use. The inputs used in the calculation are Level 3 inputs under IFRS 13. Cash flows for fiscal 2023 to fiscal 2027 were projected based on past experience, actual operating results normalized for non-routine items, and budgeted projections. The discount rate was estimated based on a weighted average cost of capital which is based on a risk-free rate, plus various risk premiums including a size premium and a specific Corporation risk premium.

To ensure reasonableness of recoverable amounts, management reconciles the recoverable amounts of its CGUs to the enterprise value of the Corporation as of December 31 based on (i) the market capitalization of the outstanding common shares, and (ii) the Corporation’s portion of the Facilities’ long-term debt and lease liabilities, less (iii) cash on hand.

The following carrying amounts for goodwill and other intangibles with indefinite useful lives were allocated to each of the CGUs as of December 31, 2023 and 2022:

	2023 **$**	**2022** **$**
ASH	17,911	17,911
OSH	17,436	17,436
BHSH	31,244	31,244
SFSH	60,896	60,896
SCNC	2,265	2,265
MFC Nueterra ASCs	-	540
Goodwill and other intangibles with indefinite useful lives	**129,752**	**130,292**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

7. LONG-TERM DEBT, CORPORATE CREDIT FACILITY AND LEASE LIABILITIES

			December 31, 2023		December 31, 2022	
	Maturity	Authorized	Balance	Effective Interest Rate [1]	Balance	Effective Interest Rate [1]
		$	$	%	$	%
Revolving credit facilities						
ASH	Oct 20, 2024	4,000	-	8.3	484	7.5
OSH	May 30, 2026	6,350	2,850	SOFR+2.2	3,350	LIBOR+2.2
BHSH	Jul 31, 2024	5,500	2,300	SOFR+1.4	500	SOFR+1.4
SFSH	Jun 30, 2024	8,500	6,955	BSBY+1.0	-	BSBY+1.0
SCNC	Jul 31, 2024	2,500	-	BSBY+3.3	-	BSBY+3.3
MFC Nueterra ASCs	Sep 2, 2024	-	-	-	7	6.0
		26,850	**12,105**		**4,341**	
Corporate credit facility						
Corporate	Aug 31, 2025	**75,000**	**16,000**	SOFR+1.4	**36,000**	SOFR+1.4
Notes payable						
ASH	Jul 20, 2023		-	-	97	3.3
ASH	Aug 27, 2026		895	4.7	1,203	4.7
ASH	Jan 7, 2027		2,049	3.3	2,708	3.3
OSH	Nov 25, 2025		733	3.6	1,096	3.6
BHSH	Feb 19, 2024		5	3.8	59	3.8
BHSH	Oct 31, 2024		594	3.1	1,282	3.1
BHSH	Nov 15, 2025		4,527	1.8	4,754	1.8
BHSH	Nov 15, 2025		2,450	1.7	2,633	1.7
BHSH	Dec 10, 2025		548	6.0	800	6.0
BHSH	Jun 1, 2026		2,777	2.3	3,112	2.3
BHSH	May 10, 2027		710	4.0	898	4.0
BHSH	Aug 1, 2027		1,622	3.8	1,681	3.8
BHSH	Aug 1, 2027		98	3.8	122	3.8
SFSH	Jan 1, 2024		19	4.3	238	4.3
SFSH	Apr 1, 2024		34	4.0	133	4.0
SFSH	Jun 1, 2025		279	2.2	460	2.2
SFSH	Feb 1, 2026		223	2.1	323	2.1
SFSH	Jun 1, 2026		310	2.4	409	2.4
SFSH	Sep 30, 2028		1,547	6.7	-	-
SFSH	Dec 31, 2028		20,899	4.7	21,827	4.7
SFSH	Jul 1, 2029		675	4.8	778	4.8
SCNC	Aug 5, 2023		-	-	84	4.2
MFC Nueterra ASCs	Nov 10, 2025		-	-	244	4.0
MFC Nueterra ASCs	Mar 4, 2026		-	-	78	4.6
MFC Nueterra ASCs	Oct 1, 2028		-	-	233	4.8
			40,994		**45,252**	
Total long-term debt and corporate credit facility			**69,099**		**85,593**	
Less current portion			(14,350)		(9,729)	
			54,749		**75,864**	

[1] *Interest rates are based on the lending agreements with various banks, and they include Secured Overnight Financing Rate ("SOFR"), London Inter-Bank Offered Rate ("LIBOR"), and Bloomberg Short-Term Bank Yield ("BSBY") rates.*

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

7. LONG-TERM DEBT, CORPORATE CREDIT FACILITY AND LEASE LIABILITIES (Continued)

Each credit facility and note payable is secured by an interest in all property and a mortgage on real property owned by the respective Facility. These credit facilities and notes payable contain certain restrictive financial and non-financial covenants. As of December 31, 2023, the Facilities were in compliance with their covenants.

		December 31, 2023		December 31, 2022	
	Maturity	Balance	Effective Interest Rate	Balance	Effective Interest Rate
		$	%	$	%
Lease liabilities					
ASH	2024 - 2030	31,437	2.1 - 6.3	32,203	2.1 - 5.7
OSH	2024 - 2028	4,375	1.8 - 6.0	6,970	1.8 - 5.2
BHSH	2024 - 2032	4,236	2.4 - 7.3	4,033	2.4 - 5.2
SFSH	2024 - 2032	4,998	2.0 - 5.9	6,387	1.8 - 5.9
SCNC	2024 - 2027	2,396	5.7 - 6.0	2,856	2.0 - 5.7
MFC Nueterra ASCs	2024 - 2025	206	3.6	4,563	2.4 - 5.4
Corporate	2024 - 2025	62	3.4	349	3.4 - 6.4
Total lease liabilities		**47,710**		**57,361**	
Less current portion		(9,159)		(10,183)	
		38,551		**47,178**	

The following are the future maturities of long-term debt, corporate credit facility and lease liabilities for the years ending December 31:

	$
2024	23,509
2025	33,829
2026	14,901
2027	10,047
2028	23,241
Thereafter	11,282
Future maturities of long-term debt, corporate credit facility and lease liabilities	**116,809**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

7. LONG-TERM DEBT, CORPORATE CREDIT FACILITY AND LEASE LIABILITIES (Continued)

The movements of long-term debt, corporate credit facility and lease liabilities are reconciled to cash flows arising from financing activities as follows:

	Note	Long-term debt and corporate credit facility $	Lease liabilities $
Balance at January 1, 2022		79,570	61,330
Changes from financing activities:			
Net proceeds from revolving credit facilities and issuance of notes payable		12,749	-
Repayments of notes payable by the Facilities		(6,726)	-
Payment of lease liabilities		-	(12,496)
Other changes:			
New lease agreements		-	5,949
Termination of lease agreements		-	(107)
Interest expense	15	-	2,685
Balance at December 31, 2022		85,593	57,361
Changes from financing activities:			
Net repayments of revolving credit facilities and issuance of notes payable		(9,031)	-
Repayments of notes payable by the Facilities		(7,060)	-
Payment of lease liabilities		-	(12,751)
Other changes:			
New lease agreements		-	4,404
Termination of lease agreements		-	(269)
Interest expense	15	-	2,574
Divestiture of MFC Nueterra ASCs	1	(403)	(3,609)
Balance at December 31, 2023		**69,099**	**47,710**

8. SHARE CAPITAL

8.1 Share capital

The following table represents changes in the number and value of common shares issued and outstanding for the years ended December 31, 2023 and 2022:

	Note	Number of Common Shares	$
Balance at January 1, 2022		30,796,259	389,510
Common shares purchased and cancelled under normal course issuer bids	8.3	(1,827,200)	(12,508)
Change in obligation for purchase of common shares		-	2,111
Common shares purchased and cancelled under a substantial issuer bid	8.5	(3,053,097)	(25,876)
Balance at December 31, 2022		25,915,962	353,237
Common shares purchased and cancelled under normal course issuer bids	8.3	(1,191,500)	(7,422)
Change in obligation for purchase of common shares	8.4	-	2,284
Balance at December 31, 2023		**24,724,462**	**348,099**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

8. SHARE CAPITAL (Continued)

8.2 Earnings (loss) per share

Basic earnings (loss) per share attributable to owners of the Corporation are calculated as follows:

		Year Ended December 31,	
		2023	**2022**
Net income (loss) for the year attributable to owners of the Corporation	$	18,503	(4,405)
Divided by weighted average number of common shares outstanding for the year		25,254,834	29,366,985
Basic earnings (loss) per share	**$**	**0.73**	**(0.15)**

Fully diluted earnings (loss) per share attributable to owners of the Corporation are calculated as follows:

		Year Ended December 31,	
		2023	**2022**
Net income (loss) for the year attributable to owners of the Corporation	$	18,503	(4,405)
Change in value of exchangeable interest liability (tax effected)		-	-
Interest expense on exchangeable interest liability		-	-
Modified net income (loss) for the year attributable to owners of the Corporation	$	18,503	(4,405)
Weighted average number of common shares:			
Outstanding for the year		25,254,834	29,366,985
Deemed to be issued on the exchange of the outstanding exchangeable interest liability		-	-
Deemed to be issued as stock options		-	-
Weighted average number of common shares [1]		25,254,834	29,366,985
Fully diluted earnings (loss) per share	**$**	**0.73**	**(0.15)**

[1] *For the years ended December 31, 2023 and 2022, the impact of exchangeable interest liability and stock options was excluded from the dilutive weighted average number of common shares calculation because it was not applicable based on the share price prevailing at December 31, 2023 and 2022, respectively.*

8.3 Normal course issuer bids

The Corporation has a normal course issuer bid for up to 2,481,256 of its common shares in effect from December 1, 2023 to November 30, 2024. A previous normal course issuer bid for up to 2,615,186 of the Corporation's common shares was in effect from December 1, 2022 to November 30, 2023. During the year ended December 31, 2023, the Corporation purchased 1,191,500 of its common shares (December 31, 2022: 1,827,200) for a total consideration of $7,422 (December 31, 2022: $12,508) from the open market.

The purchases under the normal course issuer bids are recorded in share capital. All common shares acquired under the normal course issuer bids were cancelled.

8. SHARE CAPITAL (Continued)

8.4 Obligation for purchase of common shares

The Corporation entered into an automatic share purchase plan with a broker that allows the purchase of common shares for cancellation under the normal course issuer bid, in accordance with certain prearranged trading parameters, at any time during predetermined trading blackout periods. An obligation for purchase of common shares of $2,136 was recognized under the automatic share purchase plan as of December 31, 2023 (December 31, 2022: $4,420), subject to applicable buyback taxes. Subsequent to the year end, the Corporation purchased 185,800 of its common shares for a total consideration of $1,270 under the automatic share purchase plan, through March 8, 2024. The Corporation purchased 310,200 of its common shares for a total consideration of $1,890 from January 1, 2023 through the end of the blackout period on March 9, 2023, under a previous automatic share purchase plan.

8.5 Substantial issuer bid

On October 31, 2022, the Corporation completed a substantial issuer bid, by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Corporation (the “Offer”). The Corporation purchased and cancelled 3,053,097 of its common shares at a price of C$11.30 per common share under the Offer, representing an aggregate purchase price of $25,468, or approximately 10.38% of the Corporation’s issued and outstanding common shares before giving effect to the Offer. The Corporation also incurred transaction costs of $408 related to the Offer, which were recorded against share capital during the year ended December 31, 2022.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

9. NON-CONTROLLING INTEREST

The following tables summarize financial information in respect of the non-controlling interest of each Facility. The summarized financial information below represents amounts before intercompany eliminations.

December 31, 2023	ASH	OSH	BHSH	SFSH	SCNC	MFC Nueterra ASCs
	$	$	$	$	$	$
Non-controlling interest percentage	**44%**	**35%**	**35%**	**35%**	**49%**	**37%**
Current assets	14,213	17,012	20,336	35,608	3,440	1,241
Non-current assets	37,176	5,616	30,421	61,548	3,133	209
Current liabilities	13,479	9,366	9,666	16,711	2,350	674
Non-current liabilities	34,387	7,646	19,873	36,002	2,447	205
Equity attributable to owners of the Corporation	1,973	3,650	13,792	28,888	906	410
Non-controlling interest	1,550	1,966	7,426	15,555	870	161
Revenue and other income	90,983	80,033	106,006	147,183	9,698	11,679
Operating expenses, before depreciation	66,485	71,119	84,841	108,409	8,011	10,401
Net income (loss) attributable to owners of the Corporation	9,372	2,028	11,319	21,336	399	(50)
Net income attributable to non-controlling interest	7,364	1,092	6,095	11,488	383	24
Net income (loss)	**16,736**	**3,120**	**17,414**	**32,824**	**782**	**(26)**
Distributions to non-controlling interest	7,021	2,288	5,724	11,536	687	235
Cash flows from operating activities	19,059	9,526	18,152	34,012	2,051	(420)
Cash flows from investing activities	(1,793)	(425)	(1,417)	(11,344)	(443)	4,649
Cash flows from financing activities [(1)]	(17,716)	(8,200)	(16,678)	(26,865)	(2,136)	(3,909)
Net cash inflow (outflow)	**(450)**	**901**	**57**	**(4,197)**	**(528)**	**320**

[(1)] *Cash flows from financing activities include distributions paid to the Corporation and the holders of the non-controlling interest.*

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

9. NON-CONTROLLING INTEREST (Continued)

December 31, 2022	ASH	OSH	BHSH	SFSH	SCNC	MFC Nueterra ASCs
	$	$	$	$	$	$
Non-controlling interest percentage	**44%**	**35%**	**35%**	**35%**	**49%**	**37-70%**
Current assets	15,315	21,404	18,012	37,352	3,871	5,538
Non-current assets	38,298	9,074	31,076	54,995	3,436	6,525
Current liabilities	14,324	9,975	9,049	17,082	1,972	3,631
Non-current liabilities	36,700	11,471	19,882	30,685	2,941	5,599
Equity attributable to owners of the Corporation	1,450	5,871	13,102	28,977	1,221	297
Non-controlling interest	1,139	3,161	7,055	15,603	1,173	2,536
Revenue and other income	73,230	75,749	98,314	134,132	9,617	23,347
Operating expenses, before depreciation	59,218	67,971	79,860	94,498	8,218	21,238
Net income attributable to owners of the Corporation	3,544	2,270	9,511	21,909	269	3
Net income attributable to non-controlling interest	2,785	1,222	5,122	11,797	259	369
Net income	**6,329**	**3,492**	**14,633**	**33,706**	**528**	**372**
Distributions to non-controlling interest	4,540	2,200	5,219	12,933	519	1,134
Cash flows from operating activities	6,120	496	15,733	35,870	927	343
Cash flows from investing activities	(1,061)	(209)	(2,620)	(1,546)	(157)	(762)
Cash flows from financing activities [(1)]	(11,692)	(7,025)	(15,450)	(35,419)	(808)	287
Net cash outflow	**(6,633)**	**(6,738)**	**(2,337)**	**(1,095)**	**(38)**	**(132)**

[(1)] *Cash flows from financing activities include distributions paid to the Corporation and the holders of the non-controlling interest.*

9.1 Significant restrictions

The partnership or operating agreements governing each of the respective Facilities (each, a "Partnership Agreement") in certain circumstances do not permit the Corporation to access the assets of the Facilities to settle the liabilities of other subsidiaries of the Corporation, and the Facilities have no obligation to (and could not, without the approval of the holders of the non-controlling interest) take any steps to settle the liabilities of the Corporation or its other subsidiaries. The Corporation's rights in respect of each Facility are limited to representation on the management committee and approval rights over certain fundamental decisions. The Partnership Agreements require that each Facility distribute its available cash to the maximum extent possible, subject to applicable law and compliance with their existing credit facilities, by way of monthly distributions on its partnership interests or other distributions on its securities, after (i) satisfying its debt service obligations under its credit facilities or any other agreements with third parties, (ii) satisfying its other expense obligations, including withholding and other applicable taxes, and (iii) retaining reasonable working capital or other reserves, including amounts on account of capital expenditures and such other amounts as may be considered appropriate by its management committee.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

10. NET CHANGES IN NON-CASH WORKING CAPITAL

The net changes in non-cash working capital included in the consolidated statements of cash flows consist of the following:

	Year Ended December 31,	
	2023 $	2022 $
Accounts receivable	1,029	(2,596)
Supply inventory	(205)	1,422
Prepaid expenses and other receivables	2,105	(1,381)
Accounts payable	(2,483)	2,462
Accrued liabilities	(934)	(2,610)
Government stimulus funds repayable	-	(3,508)
Net changes in non-cash working capital	**(488)**	**(6,211)**

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

11.1 Exchangeable interest liability

Concurrent with the acquisition of its interests in ASH, BHSH, SFSH and OSH, the Corporation entered into exchange agreements with the owners who originally retained a 49% non-controlling interest in these Facilities. Pursuant to the terms of these exchange agreements, the non-controlling interest holders in each of these Facilities received the right to exchange a portion of their interest (“Exchangeable Interest”) in their respective Facilities for common shares of the Corporation. Such exchanges may only take place quarterly and are based on the exchange formulae stipulated in the exchange agreements and are subject to certain limitations, including a limitation of exchanging not more than three percent per quarter.

The number of common shares issuable under the Exchangeable Interest is determined by application of a formula which takes into account the number of partnership units being tendered for exchange and an exchange ratio based upon the distributions to non-controlling interest holders by the Facilities over the prior twelve months. The exchange agreements between the Corporation and the non-controlling interest holders in each of the Facilities contain the details of the exchange rights.

The Corporation accounts for the Exchangeable Interest as a financial liability. Under this method, the Exchangeable Interest is reflected in the consolidated financial statements as follows:

(i) The exchange right is considered to have been fully exchanged at the original dates of acquisition of each of the four Facilities in which Exchangeable Interest is held, resulting in the purchase of a further 14% interest in each such Facility, except for ASH where 5% can be purchased, for an amount (the “imputed purchase price”) proportionate to the price paid for the original 51% interest in such Facilities. The imputed purchase price was allocated to the fair value of the assets acquired, including goodwill and other intangibles, consistent with the acquisition of the initial 51% interest.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(ii) The corresponding amount of the imputed purchase price relating to the 14% interest (5% in the case of ASH) is reflected as exchangeable interest liability. The exchangeable interest liability is carried at fair value, as determined at each reporting date by applying the closing common share price on the last trading day of the period, converted into U.S. dollars at the closing exchange rate, to the total number of common shares issuable under the outstanding Exchangeable Interest. Changes in the fair value of the exchangeable interest liability, including their effect on the deferred tax position, are included in net income.

(iii) Amortization of other intangibles and fair market value of property and equipment in excess of underlying carrying values are consistent with the amortization of the assets that arose on acquisition of the initial 51% interest in each Facility.

(iv) The distributions made by each Facility, that relate to the ownership interest therein that is the subject of the outstanding Exchangeable Interest, are treated as interest expense in the Corporation's consolidated statements of income and comprehensive income.

(v) The calculation of fully diluted earnings per share involves certain modifications, if applicable, to net income as reported and the number of issued and outstanding common shares as set out in Note 8.1.

The number of common shares to be potentially issued for the exchangeable interest liability and the fair value of the exchangeable interest liability as of December 31, 2023 and 2022 are as follows:

	2023	**2022**
Number of common shares to be potentially issued for exchangeable interest liability	5,913,560	6,297,268
Fair value of the exchangeable interest liability in thousands of U.S. dollars	US$ 40,087	US$ 37,354
Fair value of the exchangeable interest liability in thousands of Canadian dollars	C$ 53,104	C$ 50,630

11.2 Fair values and classification of financial instruments

The fair value of exchangeable interest liability is determined based on the closing trading price of common shares at each reporting date. The fair values of long-term debt approximate their carrying values as the interest rates are similar to prevailing market rates. The fair values of all other financial instruments of the Corporation approximate their carrying values due to the short-term nature of these instruments.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The following table presents the carrying values and classification of the Corporation's financial instruments as of December 31, 2023 and 2022:

	December 31, 2023 $	December 31, 2022 $
Financial assets		
Fair value through profit or loss		
Cash and cash equivalents	24,113	34,926
Amortized cost		
Accounts receivable	61,766	64,040
Financial liabilities		
Fair value through profit or loss		
Exchangeable interest liability	40,087	37,354
Amortized cost		
Dividends payable	1,503	1,539
Accounts payable	23,152	26,402
Accrued liabilities	20,694	22,211
Income tax payable	10	-
Obligation for purchase of common shares	2,136	4,420
Corporate credit facility	16,000	36,000
Long-term debt	53,099	49,593

The following tables represent the fair value hierarchy of the Corporation's financial instruments that were recognized at amortized cost or fair value through profit or loss as of December 31, 2023 and 2022. They do not include fair value information for financial instruments which are short-term in nature.

	December 31, 2023			
	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Cash and cash equivalents	24,113	-	-	24,113
Financial liabilities				
Exchangeable interest liability	-	40,087	-	40,087
Corporate credit facility	-	16,000	-	16,000
Long-term debt	-	53,099	-	53,099
Total	**24,113**	**109,186**	**-**	**133,299**

	December 31, 2022			
	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Cash and cash equivalents	34,926	-	-	34,926
Financial liabilities				
Exchangeable interest liability	-	37,354	-	37,354
Corporate credit facility	-	36,000	-	36,000
Long-term debt	-	49,593	-	49,593
Total	**34,926**	**122,947**	**-**	**157,873**

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

11.3 Measurement of fair values

The following are the valuation techniques used in measuring Level 2 fair values:

Financial Instrument	Valuation Technique
Exchangeable interest liability	*Market comparison technique:* The number of the Corporation's common shares to issue is based on the contractual agreements with the holders of non-controlling interest that have exchange agreements with the Corporation and take into account the distributions to the non-controlling interest over the prior twelve months. The liability is valued based on the market price of the Corporation's common shares converted to the reporting currency as of the reporting date.
Corporate credit facility	*Market comparison technique:* Interest rates are based on the lending agreements with various banks of corporate credit facility, and they are Prime, SOFR or LIBOR rates adjusted for the Corporation's risk rating, secured assets and other terms of agreements. The liability is valued based on debt principals.
Long-term debt	*Market comparison technique:* Interest rates are based on the lending agreements with various banks and creditors of long-term debt, and they are Prime, BSBY, SOFR or LIBOR rates adjusted for the Facilities' risk rating, secured assets and other terms of agreements. The liability is valued based on debt principals and interest payments discounted to present value.

11.4 Financial risk management

In the normal course of its operations, the Corporation faces a number of risks that might have an impact on results of its operations and values of the financial instruments presented in the consolidated financial statements. Financial risks are outlined below as well as policies and procedures established by the Corporation for monitoring and controlling these risks.

11.4.1 Foreign exchange risk

Dividends to common shareholders of the Corporation, exchangeable interest liability, and a portion of the Corporation's expenses are settled in Canadian dollars while all of its revenues are in U.S. dollars. To mitigate this risk, from time to time, the Corporation may enter into foreign exchange forward contracts to economically hedge its exposure to the fluctuation of the exchange rate between U.S. and Canadian dollars. The Corporation has a foreign exchange hedging policy in place and the execution of this policy is monitored by the Audit Committee of the Board of Directors. As of December 31, 2023 and 2022, no foreign exchange forward contracts existed.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The values of Canadian dollar cash and cash equivalents, interest paid and received, and exchangeable interest liability, as reported in the Corporation's consolidated financial statements, are dependent on the movement of the exchange rate between U.S. and Canadian dollars. A 1% change in the value of the Canadian dollar against the U.S. dollar would have had the following impact on net income for the years reported:

Exchange rate change	2023 $	2022 $
1% strengthening of the Canadian dollar	(476)	(513)
1% weakening of the Canadian dollar	476	513

11.4.2 Credit risk

The Facilities receive payment for services rendered from U.S. federal and state agencies, private insurance carriers, employers, managed care programs and individual patients. As such, the Corporation's accounts receivable principally fall into five categories:

(i) governmental payors,

(ii) health and workers' compensation insurance companies,

(iii) recoveries from other responsible third parties such as automobile and general liability insurance,

(iv) recoveries for revision surgery from manufacturers of surgical devices subsequently found ineffective or defective, and

(v) co-pay and deductibles due from patients.

Revenue and accounts receivable from health insurance companies are further segregated between those that are independent members of the Blue Cross and Blue Shield System, workers' compensation lines and all others.

The majority of the Corporation's accounts receivable balance is from governmental payors and health insurance companies. Health insurance companies are regulated by State Insurance Departments in the U.S. and are assessed as having a low risk of default, consistent with the Facilities' history with these payors.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The table below summarizes the percentages of facility service revenue generated from, and accounts receivable balances with, each primary third-party payor group in 2023 and 2022:

	2023		2022	
	Facility Service Revenue by Payor	Accounts Receivable at December 31 by Payor	Facility Service Revenue by Payor	Accounts Receivable at December 31 by Payor
	%	%	%	%
Medicare and Medicaid – category (i)	39.9	21.6	35.6	18.9
Blue Cross and Blue Shield – category (ii)	28.6	28.5	28.6	25.5
Workers' compensation – category (ii)	6.3	11.2	6.8	11.1
Other private insurance – category (iii)	19.8	27.2	23.2	32.5
Other insurance and self-pay – categories (iv) and (v)	5.4	11.5	5.8	12.0
	100.0	**100.0**	**100.0**	**100.0**

Recoverability of amounts due in respect of categories (iii) and (iv) above often involves insurance litigation and is difficult to determine, in which case the full amounts due may be reserved. A very small portion of the facility service revenue is received directly from patients (including those with no insurance and those paying deductibles or co-payments). Recoverability of amounts receivable directly from patients is assessed based on historical experience and amounts considered impaired are provided for in the allowance for non-collectible receivable.

Management reviews reimbursement rates and aging of the accounts receivable to monitor its credit risk exposure. On an ongoing basis, management assesses the circumstances affecting the recoverability of its accounts receivable and adjusts allowances based on changes in those factors. Monthly, actual bad debts for a trailing period are compared with the Corporation's allowance to support the accuracy of the estimate of recoverability. Considerations related to historical experience are also factored into the valuation of the current period accounts receivable.

The table below summarizes the aging of the Corporation's accounts receivable and related allowance for non-collectible receivable balances as of December 31, 2023 and 2022:

Accounts receivable	2023 $	2022 $
Neither past due nor impaired	49,237	48,000
Past due 61-90 days	3,856	4,467
Past due 91-120 days	2,349	2,665
Past due 121-150 days	2,320	2,247
Past due more than 151 days	9,577	13,929
Allowance for non-collectible receivable balances	(5,573)	(7,268)
Net accounts receivable	**61,766**	**64,040**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A significant portion of the accounts receivable older than 151 days relates to auto insurance cases that have historically favourable reimbursement rates but may be subject to variations in the timing of collections and may involve insurance litigation.

Management believes that the unimpaired amounts that are past due by more than 60 days are still collectible, in full, based on the historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, if they are available.

11.4.3 Interest rate risk

The Corporation and the individual Facilities enter into certain long-term credit facility agreements that expose them to the risk of interest rate fluctuations. The Corporation uses floating rate debt facilities for operating lines of credit that fund short-term working capital needs and uses fixed rate debt facilities to fund investments and capital expenditures.

The interest rate profile of the Corporation's interest-bearing financial liabilities as of December 31, 2023 and 2022 was:

	2023 $	2022 $
Credit facilities with fixed interest rates	88,704	102,612
Credit facilities with variable interest rates	28,105	40,342
Total	**116,809**	**142,954**

A change of 100 basis points in the interest rates in the reporting period would have led to an increase or a decrease in interest expense of $342 (2022: $368) on credit facilities with variable interest rates.

11.4.4 Price risk

The Corporation's exchangeable interest liability is measured based on quoted market prices in active markets and, therefore, the Corporation is exposed to variability in net income as prices change. Price risk includes the impact of foreign exchange because common shares are quoted in Canadian dollars.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

11.4.5 Liquidity risk

The mandatory repayments under the credit facilities, notes payable, and other contractual obligations and commitments including expected interest payments, on a non-discounted basis, as of December 31, 2023, are as follows:

		Future payments (including principal and interest)				
Contractual obligations	**Carrying values at December 31, 2023 $**	**Total $**	**Less than 1 year $**	**2-3 years $**	**4-5 years $**	**After 5 years $**
Dividends payable	1,503	1,503	1,503	-	-	-
Accounts payable	23,152	23,152	23,152	-	-	-
Accrued liabilities	20,694	20,694	20,694	-	-	-
Income tax payable	10	10	10	-	-	-
Obligation for purchase of common shares	2,136	2,136	2,136	-	-	-
Government stimulus funds repayable	11,957	11,957	11,957	-	-	-
Corporate credit facility	16,000	17,790	1,075	16,715	-	-
Revolving credit facilities	12,105	12,732	9,625	3,107	-	-
Notes payable	40,994	46,098	6,625	17,847	21,546	80
Lease liabilities	47,710	56,021	11,400	17,693	14,970	11,958
Total contractual obligations	**176,261**	**192,093**	**88,177**	**55,362**	**36,516**	**12,038**

The $75,000 corporate credit facility, which matures on August 31, 2025, had $59,000 undrawn as of December 31, 2023.

12. CAPITAL

The Corporation's objective when managing capital is to (i) safeguard the Corporation's ability to continue as a going concern and make acquisitions, (ii) ensure sufficient liquidity to fund current operations and its growth strategy, and (iii) maximize the return to common shareholders.

The capital of the Corporation is defined to include common shares (Note 8.1) and other debt facilities at the corporate level.

The Corporation manages its liquidity and capital structure by monitoring its cash and cash equivalents, short-term and long-term investments, its current indebtedness and future financing and funding needs.

In addition, the Corporation regularly monitors current and forecasted debt levels and key ratios to ensure compliance with debt covenants. As of the reporting date, the Corporation and Facilities were in compliance with their covenants. The Corporation's long-term debt and revolving lines of credit require the maintenance of various financial ratios. Under the terms of the line of credit, the Corporation must meet two pro forma financial ratios at the time of incurring new debt.

12. CAPITAL (Continued)

In order to maintain or adjust the capital structure, the Corporation may enter into or repay credit facilities, adjust the amount of dividends paid to common shareholders, repurchase its publicly traded securities or issue new shares or convertible debt. During the year ended December 31, 2023, the Corporation returned capital to shareholders through the repurchase and cancellation of 1,191,500 of its common shares (December 31, 2022: 1,827,200) for $7,422 (December 31, 2022: $12,508) under the terms of normal course issuer bids (Note 8.3). During the year ended December 31, 2022, the Corporation also repurchased and cancelled 3,053,097 of its common shares for $25,876 under the terms of a substantial issuer bid (Note 8.5).

13. EMPLOYEE FUTURE BENEFITS

The Corporation's benefit programs include qualified 401(k) retirement plans which cover all employees who meet eligibility requirements. Each participating entity makes matching contributions subject to certain limits. In 2023, contributions made by the Corporation and the Facilities to such plans were $2,624 (2022: $2,385).

14. INCOME TAXES

The U.S. tax return for the Corporation is prepared on a consolidated basis for U.S. entities and includes balances and amounts attributable to these entities.

The CARES Act provided tax relief with a number of measures. It included a temporary change to Section 172 of the U.S. Internal Revenue Code of 1986, as amended, (the "Code") such that net operating losses ("NOL") could be carried back five years. As a result of the change due to the CARES Act, the Corporation recorded refunds for the year ended December 31, 2020 of approximately $4,000 based on the expected application of NOL carry backs generated in the 2019 and 2020 tax years. Of this amount, $1,400 remains outstanding and receivable as of December 31, 2023. Also, under the terms of the CARES Act, a combined $7,298 of PPP government stimulus income recognized, which represented MFC's share, was excluded from taxable income for the years ended December 31, 2021 and December 31, 2020. Consistent with this, the impact of $6,815 of PPP stimulus reversed from government stimulus income for the year ended December 31, 2022, which represented MFC's share, was excluded from taxable income.

Beginning with tax year 2022, the interest deduction calculation became more stringent with the removal of depreciation and amortization from the interest deductibility formula defined by the *Tax Cuts and Jobs Act of 2017* ("TCJA"). Starting in 2022, the deductibility of interest is generally limited to 30% of earnings before interest and taxes. Also, as part of the TCJA, capital outlays are no longer eligible for 100% bonus depreciation. Beginning in 2023, bonus is limited to 80%, after which eligibility will be further reduced to 60% in 2024, 40% in 2025, 20% in 2026, and 0% in 2027.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

14. INCOME TAXES (Continued)

The Canadian income tax return for the Corporation is prepared on a stand-alone basis and includes non-consolidated balances attributable to the Canadian entity only.

Income taxes reported in these consolidated financial statements are as follows:

	Year Ended December 31,	
Provision for income taxes	**2023 $**	**2022 $**
Current	4,025	3,082
Deferred	4,300	2,126
Total income tax expense	**8,325**	**5,208**

The following table reconciles income taxes, calculated at the U.S. combined federal and state tax rate and the Canadian combined federal and provincial income tax rate, to the income tax expense reported in the consolidated statements of income and comprehensive income:

	Year Ended December 31,			
	2023		**2022**	
	$	**%**	**$**	**%**
Net income (loss) for the year attributable to the owners of the Corporation	18,503		(4,405)	
Income tax expense	8,325		5,208	
Income before income taxes	26,828	100.0	803	100.0
Income taxes at the statutory rate in Canada	7,109	26.5	213	26.5
Effect of:				
Differences between statutory tax rates in Canada and U.S.	(663)	(2.5)	3	0.4
Change in valuation allowance	586	2.2	2,563	319.2
Other including non-taxable and non-deductible amounts	635	2.4	1,569	195.4
Change in value of exchangeable interest liability	658	2.4	860	107.0
Income tax expense	**8,325**	**31.0**	**5,208**	**648.5**

The components of deferred income tax balances as of December 31, 2023 and 2022 are as follows:

	2023 $	**2022 $**
Deferred income tax assets		
Allowance for non-collectible receivable balances	1,169	1,457
Accrued liabilities	1,878	1,939
Goodwill and other intangibles	4,708	5,628
Net operating losses and deductions carryforwards	12	33
Total deferred income tax assets	**7,767**	**9,057**
Deferred income tax liabilities		
Property and equipment	(4,116)	(3,675)
Prepaid expenses and other receivables	(219)	(259)
Goodwill and other intangibles	(21,740)	(18,475)
Cumulative change in the value of exchangeable interest liability	(1,856)	(2,512)
Total deferred income tax liabilities	**(27,931)**	**(24,921)**
Net deferred income tax liabilities	**(20,164)**	**(15,864)**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

15. INTEREST EXPENSE, NET OF INTEREST INCOME

Interest expense, net of interest income, included in the consolidated statements of income and comprehensive income consists of the following:

	Year Ended December 31,	
	2023 **$**	**2022** **$**
Interest expense at Facilities' level	2,091	2,050
Interest expense at corporate level	1,862	789
Interest expense on lease liabilities	2,574	2,685
Corporate credit facility stand-by fees	346	526
Interest income at Facilities' level	(217)	(30)
Interest income at corporate level	(500)	(289)
Interest expense, net of interest income	**6,156**	**5,731**

16. RELATED PARTY TRANSACTIONS

16.1 Related party transactions

A member of the Corporation's Board of Directors is a minority owner of a Facility of the Corporation and a member of an ownership group that owns and leases hospital real estate to the Facility, for which the Facility paid rent for the year ended December 31, 2023 of $4,501 (December 31, 2022: $4,501).

Certain Facilities routinely enter into transactions with related parties for provision of services relating to the use of facility space and equipment. These parties are considered related as the Facilities have significant influence over these parties. Such transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16.2 Key management and governance compensation

Key management and governance personnel are comprised of executive officers and the directors of the Corporation. Key management and governance compensation for the years ended December 31, 2023 and 2022 was as follows:

	2023 **$**	**2022** **$**
Salaries and other employee benefits for executive officers	3,065	6,656
Director compensation	794	989
Total key management and governance compensation	**3,859**	**7,645**

Salaries and other employee benefits for executive officers include payments to executive officers for their base salaries, the Corporation's portion of social security and Medicare taxes, medical insurance and short-term and long-term disability benefit payments, separation payments, 401(k) matching contributions, payments under the Corporation's short-term incentive plan, and share-based compensation relating to stock options, deferred share units, and performance share units. Director compensation consists of board, committee and travel retainers.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

16. RELATED PARTY TRANSACTIONS (Continued)

16.3 Other transactions

Certain of the physicians, who indirectly own the non-controlling interest in each of the Facilities, routinely provide professional services directly to patients utilizing the services of the Facilities and reimburse the Facilities for the space and staff utilized. Also, certain of the physicians serve on the boards of management of the Facilities, and three such individuals perform the duties of Medical Director at their respective Facilities and are compensated in recognition of their contribution to the Facilities. Also, a physician with a non-controlling interest in SFSH is its Chief Executive Officer and the Chief Medical Officer of the Corporation.

17. LEASES

The Corporation leases some hospital and office premises, as well as medical and office equipment. These leases are negotiated and entered into locally at each of the Facilities, as well as at the corporate level.

17.1 Right-of-use assets

Right-of-use assets	Note	Premises $	Medical Equipment $	Office Equipment $	Total $
Balance at January 1, 2022		46,744	7,455	1,351	55,550
New lease agreements		3,902	2,047	-	5,949
Termination of lease agreements		(98)	-	-	(98)
Depreciation of right-of-use assets		(8,205)	(2,189)	(443)	(10,837)
Balance at December 31, 2022		42,343	7,313	908	50,564
New lease agreements		-	3,680	724	4,404
Termination of lease agreements		-	(278)	-	(278)
Depreciation of right-of-use assets		(7,905)	(2,392)	(404)	(10,701)
Divestiture of MFC Nueterra ASCs	1	(3,310)	(113)	-	(3,423)
Balance at December 31, 2023		**31,128**	**8,210**	**1,228**	**40,566**

17.2 Amounts recognized in the consolidated statements of income and comprehensive income

	Year Ended December 31, 2023 $	2022 $
Interest expense on lease liabilities	2,574	2,685
Expenses relating to short-term leases	706	245
Expenses relating to leases of low-value assets, excluding short-term leases	45	52

17.3 Amounts recognized in the consolidated statements of cash flows

	Year Ended December 31, 2023 $	2022 $
Payment of lease liabilities	(12,751)	(12,496)

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

17. LEASES (Continued)

17.4 Extension options

Some premises and equipment leases contain extension options exercisable by the Corporation before the end of the non-cancellable contract period. When practicable, the Corporation seeks to include extension options in new leases to provide operational flexibility. The Corporation assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Corporation reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

18. COMMITMENTS AND CONTINGENCIES

18.1 Commitments

In the normal course of operations, the Facilities lease certain equipment under non-cancellable long-term leases and enter into various commitments with third parties. In addition, certain Facilities lease their facility space from related and non-related parties.

18.2 Contingencies

In the normal course of business, the Facilities are, from time to time, subject to allegations that may result in litigation. Certain allegations may not be covered by the Facilities' commercial and liability insurance. The Facilities evaluate such allegations by conducting investigations to determine the validity of each potential claim. Based on the advice of legal counsel, management records an estimate of the amount of the ultimate expected loss for each of these matters. Events could occur that would cause the estimate of the ultimate loss to differ materially from the amounts recorded.

19. SHARE-BASED COMPENSATION

19.1 Stock options

The following table summarizes the outstanding number of stock options as of December 31, 2023:

Optionee	Number of Options Held	Number of Options Vested	Exercise Price	Grant Date
Chief Financial Officer	300,000	-	C$12.79	June 24, 2019
Former Chief Executive Officer	223,562	223,562	C$17.24	May 1, 2016
Former Chief Financial Officer	221,344	221,344	C$17.98	November 21, 2016
Total number of outstanding options	**744,906**	**444,906**		

Outstanding options (the "Options") vest after five years of employment. The Options must be exercised by the tenth anniversary of the respective grant dates, subject to blackout exceptions. As of December 31, 2023, 444,906 of the Options relating to the Former Chief Executive Officer and the Former Chief Financial Officer are vested. During the year ended December 31, 2023, 350,000 Options relating to the Former Chief Development Officer were forfeited.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

19. SHARE-BASED COMPENSATION (Continued)

During the year ended December 31, 2023, the Corporation recognized a net gain of $476 relating to the Options (December 31, 2022: $667) in salaries and benefits expense due to recoveries from forfeited Options.

The grant date fair values of the Options were measured based on the Black-Scholes model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at the grant date of the Options are as follows:

	Q2 2019 Grant Issued	Q4 2016 Grant Issued	Q2 2016 Grant Issued
Fair value of Options, grants and assumptions			
Fair value at grant date	C$ 1.20	C$ 1.41	C$ 1.33
Share price at grant date	C$12.90	C$18.19	C$17.01
Exercise price	C$12.79	C$17.98	C$17.24
Expected volatility (weighted average volatility)	29.77%	21.77%	23.60%
Option life (expected weighted average life)	5 years	5 years	5 years
Expected dividends	8.72%	6.18%	6.61%
Risk-free rate	1.34%	0.99%	1.03%

19.2 Deferred share units

Compensation for directors includes a deferred share unit ("DSU") component, for which grants based on the value of the Corporation's common shares are made quarterly. The DSUs accrue dividends, vest immediately and can be redeemed only when a participant ceases to serve as a director of the Corporation. The participants' entitlement in respect of the DSUs then held will be settled in cash based on a formula tied to the value of the Corporation's common shares at the relevant time. For the year ended December 31, 2023, director compensation included DSU grants of $619 (December 31, 2022: $802), while the change in market value of outstanding DSUs for the same period was an expense of $305 (December 31, 2022: income of $186).

The following table summarizes changes in the number of DSUs for the year ended December 31, 2023:

	2023
Opening balance of DSUs at January 1, 2023	243,770
DSUs granted on director fees	97,183
DSUs granted on dividend reinvestment	10,929
Total number of DSUs at December 31, 2023	**351,882**

19.3 Performance share unit plan

Until 2020, annual grants of performance share units ("PSUs") were awarded under the Corporation's Performance Share Unit Plan ("PSU Plan"), which was amended in March 2020 to allow grants of share units ("SUs") in the form of PSUs or deferred share units ("Executive DSUs"). Starting with the 2020 annual grant, awards under the PSU Plan are granted in the form of Executive DSUs until PSU Plan participants' minimum share ownership requirements have been met. PSU Plan participants can elect to receive PSUs once they have achieved their minimum share ownership requirements.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

19. SHARE-BASED COMPENSATION (Continued)

Awards under the PSU Plan vest three years following their grant date and are subject to achievement of performance objectives set at the time of the grant. The PSUs are settled in cash upon vesting while Executive DSUs are settled in cash upon the PSU Plan participants' departure from the Corporation. The SUs granted under the PSU Plan participate in the Corporation's quarterly dividend.

19.3.1 Performance share units

PSU grants were made on March 29, 2018 for 59,003 PSUs, and on March 29, 2019 for 51,077 PSUs. The value of the expense and liability associated with the PSUs was determined based on the Corporation's share price at the end of each reporting period. For the year ended December 31, 2022, operating expenses included a PSU expense of $79. On March 29, 2022, all outstanding PSUs vested, after which they were paid out in the next quarter.

19.3.2 Share units

To date, SU grants were made on March 31, 2020 for 346,638 Executive DSUs, on March 31, 2021 for 175,898 Executive DSUs, on March 31, 2022 for 150,348 Executive DSUs, and on March 31, 2023 for 78,978 Executive DSUs. The value of the expense and liability associated with the SUs is determined based on the Corporation's share price at the end of each reporting period. For the year ended December 31, 2023, operating expenses included an SU expense of $384 (December 31, 2022: $1,053). As of December 31, 2023, the liability for SUs was $1,006 (December 31, 2022: $1,204).

The following table summarizes changes in the number of SUs for the year ended December 31, 2023:

	2023
Opening balance of SUs at January 1, 2023	261,134
SUs granted	78,978
SUs granted on dividend reinvestment	9,715
SUs vested and settled	(96,760)
SUs forfeited	(51,534)
Total number of SUs at December 31, 2023	**201,533**

20. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Facilities.

20.1 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

20. MATERIAL ACCOUNTING POLICIES (Continued)

20.2 Functional presentation currency

The Corporation translates monetary assets and liabilities denominated in Canadian dollars, principally its exchangeable interest liability and certain of its cash balances, which are all denominated in Canadian dollars, at exchange rates in effect at the reporting date. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations were incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses, including translation adjustments, are included in the determination of net income and comprehensive income.

20.3 Basis of consolidation

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation (a) has the power over the entity, (b) is exposed, or has rights, to variable returns from its involvement with the entity, and (c) has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences, until the date that control ceases. Non-controlling interest represents the portion of a subsidiary's net earnings and net assets that are attributable to shares of such subsidiary not held by the Corporation.

The non-controlling interest in the equity of the Corporation's subsidiaries is included as a separate component of equity.

All intercompany balances and transactions have been eliminated in preparing these consolidated financial statements. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Corporation.

20.4 Segment information

The operations and productive capacity of the Facilities revolve around the provision of surgical procedures. Each Facility is organized as an individual entity and separate financial statements are prepared for each entity. The chief operating decision makers of the Corporation, being the Chief Executive Officer and the Chief Financial Officer, regularly review performance of each individual Facility to make decisions about resources to be allocated to each Facility and assess their performance. Therefore, each Facility represents a separate operating segment.

Management of the Corporation has concluded that the operating segments of the Corporation meet the criteria for aggregation pursuant to IFRS 8, *Operating Segments* and, therefore, discloses a single reportable segment. In forming its conclusion about the aggregation of the Facilities, management of the Corporation evaluated the long-term economic characteristics of each Facility, the comparative nature of the Facilities' operations, and the level of regulation of each Facility.

20. MATERIAL ACCOUNTING POLICIES (Continued)

The services delivered by each Facility and the patients who use those services are similar. The vast majority of patients are insured through private insurance or U.S. government insurance programs (i.e., Medicaid or Medicare), which allows for a wide group of patients electing to have their procedures performed at one of the Facilities. The Facilities principally provide surgical facilities, support staff and pre- and post-surgical care related to surgeries. Finally, the Facilities have similar economic characteristics, which management defines as comparable long-term operating margins, recognizing differences between the Facilities in payor mix, surgical specialties and local healthcare markets.

20.5 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and all liquid investments purchased with a maturity of six months or less from the purchase date and which can be redeemed by the Corporation.

20.6 Accounts receivable

Accounts receivable are recorded at the time services are rendered at the amounts estimated to be recoverable from third-party payors and patients, by applying the following policies:

(i) As described in Note 20.19, amounts billed are reduced by adjustments for explicit and implicit price concessions.

(ii) An allowance for non-collectible receivable balances is recognized at a level management believes is adequate to absorb probable losses. Management determines the adequacy of the allowance based on historical data, current economic conditions, and other pertinent factors for the respective Facility. Patient receivables are written off as non-collectible when all reasonable collection efforts have been exhausted.

Payments from third-party payors are generally received within 60 days of the billing date. However, accounts involving non-contracted payment sources, such as auto and general liability insurance, are subject to recovery efforts, including rebilling and insurance litigation, until they are collected or considered not collectible. Residual amounts due from patients, such as co-payments and deductibles, are considered past due 30 days after receiving payment from third-party payors.

20.7 Supply inventory

Supply inventory consists of medical supplies, including implants and pharmaceuticals. It is stated at the lower of cost or net realizable value, using the first-in, first-out valuation method.

20. MATERIAL ACCOUNTING POLICIES (Continued)

20.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. Land is not depreciated. The estimated useful lives of property and equipment are as follows:

Building and improvements	3-40 years
Equipment and furniture	3-20 years

Depreciation methods, useful lives and residual values are reviewed on an annual basis.

20.9 Right-of-use assets

Depreciation of right-of-use assets is computed using the straight-line method over the shorter of the lease term and their useful lives unless it is reasonably certain that the Facilities will obtain ownership by the end of the lease term.

20.10 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of cost over the fair value of identifiable net assets acquired. For business acquisitions occurring after the date of transition to IFRS (January 1, 2010), goodwill is also recognized on non-controlling interest based on elections made independently for each acquisition. Goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortized but is reviewed at least annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

20.11 Other intangibles

Other intangibles are recognized only when it is probable that the expected future economic benefits attributable to the assets will be realized by the Corporation and the cost can be reliably measured. Other intangibles represent the value of the hospital operating licenses, non-compete agreements, medical charts and records, care networks and trade names. Other intangibles are stated at cost less accumulated amortization and accumulated impairment losses, when applicable.

Upon recognition of an intangible asset, the Corporation determines if the asset has a definite or indefinite life. In making the determination, the Corporation considers the expected use, expiry of agreements, nature of assets, and whether the value of the assets decreases over time.

20. MATERIAL ACCOUNTING POLICIES (Continued)

Amortization is recognized on a straight-line basis over the estimated useful lives of other intangibles from the date they are available for use. The estimated useful lives of other intangibles are as follows:

Hospital operating licenses	5 years - indefinite life
Non-compete agreements	3-5 years
Medical charts and records	5-7 years
Care networks	9-15 years
Trade names	20 years - indefinite life

Trade names represent the value assigned to the reputation of the hospitals and their standing in the business and local community which allow them to earn higher than average returns.

20.12 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as goodwill, certain trade names and certain hospital operating licenses, are tested at least annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets that have a definite useful life which are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the CGU level, which is the lowest level for which there are separately identifiable cash flows. Management considers each Facility as a CGU, with the exception of the five MFC Nueterra ASCs which collectively constituted a single CGU until the completion of their divestiture in August 2023 (Note 1).

An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its VIU and FVLCD. The two approaches are described below:

1) VIU approach – The estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, and

2) FVLCD approach – The TTM EBITDA is multiplied by a market multiple relevant to the CGU.

An impairment loss is recognized in net income and comprehensive income. It is allocated first to reduce the carrying amount of any goodwill allocated to the respective CGU, and then to reduce the carrying amount of the other assets of the respective CGU on a pro-rata basis.

20. MATERIAL ACCOUNTING POLICIES (Continued)

20.13 Financial assets and liabilities

The Corporation initially recognizes financial assets on the date that they originate or on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Corporation assesses financial assets for impairment at each reporting date.

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (“FVTPL”). A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Other financial liabilities are measured at amortized cost using the effective interest rate method.

20.14 Impairment of non-derivative financial assets

Financial assets not designated as FVTPL, including loans receivable from associates (“loans receivable”) and interests in equity-accounted investees, are assessed at each reporting date to determine whether there is objective evidence of impairment.

20.14.1 Financial assets measured at amortized cost

The Corporation considers evidence of impairment for financial assets measured at amortized cost on both an individual and collective basis. In assessing impairment, the Corporation uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that actual losses are likely to be greater or lesser than suggested by historical trends.

The Corporation applies expected credit loss (“ECL”) models to the assessment of impairment on accounts receivables, loans receivable, and other financial assets of the Corporation. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which is determined on a probability-weighted basis. The impairment model is applied, at each reporting date, to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments.

The Corporation adopts the practical expedient to determine ECL on accounts receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The Corporation determines lifetime ECL on the loans receivable, which were designated as credit-impaired on initial recognition (“POCI assets”). POCI assets are measured using the effective interest rate method which incorporates the lifetime ECLs on initial recognition. An impairment loss is calculated as the difference between an asset’s carrying amount and the present value of the expected future cash flows discounted at the asset’s original effective interest rate. The ECL model requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

20. MATERIAL ACCOUNTING POLICIES (Continued)

Impairment losses are presented under finance costs in the consolidated statements of income and comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such a decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed through the consolidated statements of income and comprehensive income. The impairment reversal is limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

20.14.2 Equity-accounted investments

An impairment loss in respect of an equity-accounted investment is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in net income and comprehensive income and is reversed if there has been a favourable change in the estimates used to calculate that recoverable amount.

20.15 Measurements of fair value

A number of the Corporation’s accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities.

Management of the Corporation regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from these sources to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Corporation uses observable market data to the extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1 – unadjusted quoted prices available 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).

20. MATERIAL ACCOUNTING POLICIES (Continued)

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Corporation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The following accounting policies apply to the subsequent measurement of relevant financial assets:

(i) Financial assets at FVTPL – These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in net income and comprehensive income.

(ii) Financial assets at amortized cost – These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on derecognition are recognized in net income and comprehensive income.

20.16 Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated expenditures required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values where the time value of money is material. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

20.17 Exchangeable interest liability

Exchangeable interest liability represents an estimated liability for the remaining portion of the interest in the Facilities held by the non-controlling interest which can be exchanged, subject to certain restrictions, for common shares of the Corporation. The exchangeable interest liability is measured at fair value. The fair value is measured at the end of each reporting period taking into account (i) the calculated amount of common shares potentially issuable for the remaining portion of the exchangeable interest in the Facilities held by the non-controlling interest, (ii) the market value of common shares, and (iii) the exchange rate between Canadian and U.S. dollars at the end of the reporting period. The change in value of the exchangeable interest liability is included in net income and comprehensive income for the respective periods.

20.18 Leases

At the inception of a contract, the Corporation assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for considerations.

20. MATERIAL ACCOUNTING POLICIES (Continued)

The Facilities' lease assets include premises, medical equipment and office equipment. The Corporation recognizes right-of-use assets and lease liabilities for most leases, except for those leases that are of low value or short term (such as certain office equipment). The Corporation recognizes the payments associated with these leases as an expense on a straight-line basis over the lease term.

The Corporation 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 right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Corporation by the end of the lease term or the cost of the right-of-use asset reflects that the Corporation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, 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 incremental borrowing rate. The Corporation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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 the consolidated statement of income and comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has applied judgment to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Corporation is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

20. MATERIAL ACCOUNTING POLICIES (Continued)

20.19 Facility service revenue

Healthcare services promised in the contract with a patient represent a bundle of goods and services that are distinct and accounted for as a single performance obligation. The Facilities use a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolio consists of major payor classes for inpatient revenue and outpatient revenue.

The performance obligation is measured from admission of the patient into the Facilities to the point when the services are no longer required to be provided to that patient, which is generally the time of discharge. Revenue for performance obligations satisfied at a point in time, which generally relates to patients receiving services, is recognized when goods or services are provided and the Facilities do not believe it is required to provide additional goods or services.

The Facilities determine the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions (contractual adjustments provided to third-party payors) and implicit price concessions (discounts provided to uninsured and underinsured patients in accordance with the Facility's policy). Services to the beneficiaries of government payor programs (Medicare, Medicaid, other governmental insurance programs and independent members of the Blue Cross and Blue Shield System) are reimbursed primarily based on the established amounts, service codes and fees schedules subject to certain limitations. Services to beneficiaries of private insurance companies are reimbursed based on the discounts from the rate established at the Facilities in accordance with the contracts with such companies. The Facilities determine estimates of explicit price concessions based on contractual agreements, discount policies and historical experience. The Facilities determine their estimate of implicit price concession based on historical collection experience.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretations. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusions from the related programs. There can be no assurance that regulatory authorities will not challenge the Facilities' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims and penalties would have on the Facilities.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment arrangement with the payor, correspondence from the payor, and the Facilities' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustments is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations.

20. MATERIAL ACCOUNTING POLICIES (Continued)

20.20 Government stimulus

The Facilities may receive financial grants from the government in return for past or future compliance with certain conditions relating to their operating activities. These financial grants are recorded as government stimulus income by the Corporation when there is reasonable assurance that the Facilities will comply with the relevant conditions and the financial grant is received. If subsequently, there is no longer reasonable assurance that the conditions of the government grant would be met, the repayable will be accounted for prospectively, as a change in estimate, and recognized as a liability under government stimulus funds repayable.

Grants are recognized in the same period as the expenses that they are intended to compensate. The Corporation recognizes government stimulus income received by the Facilities as other income in the consolidated statements of income and comprehensive income.

20.21 Income taxes

Income tax expense consists of current and deferred taxes. Income tax expense is recognized in the consolidated statements of income and comprehensive income except to the extent that it relates to a business combination or items recognized directly in equity, in which case it is recognized in equity or in other comprehensive income.

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

The Corporation calculates deferred income taxes using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the end of the reporting period. The effect on tax assets and liabilities of a change in tax rates is recognized in net income and comprehensive income in the period that includes the date of enactment or substantive enactment.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are always recognized in full. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of temporary differences is controlled by the Corporation and it is probable that the temporary differences will not reverse in the foreseeable future.

20. MATERIAL ACCOUNTING POLICIES (Continued)

20.22 Share-based payments

The Corporation has an equity settled stock option plan under which it receives services from key executives as consideration for the Options of the Corporation. The fair value of the services received in exchange for the grants of the Options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the Options granted.

Non-market vesting conditions are included in assumptions about the number of Options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. When the Options are exercised, the Corporation issues new common shares. The proceeds received, together with the amount recorded in contributed surplus, are credited to share capital when the Options are exercised.

The dilutive effect of outstanding Options is reflected as additional share dilution in the computation of fully diluted earnings per share.

20.23 Significant accounting judgments and estimates

The Corporation estimates certain amounts reflected in its consolidated financial statements based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes.

The accounting estimates discussed below are highlighted because they require difficult, subjective, and complex management judgments. The Corporation believes that each of its assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome.

20.23.1 Facility service revenue

Significant management judgment is involved in application of portfolio approach to major payor classes to estimate the explicit and implicit price concessions. Estimates of explicit price concessions are based on contractual agreements, discount policies and historical experience. Estimates of implicit price concessions are based on historical collection experience.

20.23.2 Allowance for non-collectible receivable balances

The Facilities maintain an allowance for non-collectible receivable balances for estimated losses resulting from the inability to collect on its accounts receivable. Estimation of allowance for non-collectible receivable balances involves uncertainty about future collections which could differ from the original estimates. The allowance for non-collectible receivable balances is subject to change as general economic, industry and customer specific conditions change.

20. MATERIAL ACCOUNTING POLICIES (Continued)

20.23.3 Allowance for loans receivable

At each reporting date, management assesses and calculates any changes in the loss allowance for the loans receivable, which were recognized as credit-impaired on initial recognition, using the lifetime ECL model. Based on the effective interest rate that incorporated lifetime ECLs at initial recognition, management calculates the impairment loss allowance at each reporting date, using probability-weighted scenarios of cash flows from the loans receivable. The difference between the computed loan balance net of the loss allowance and the carrying value of the loan as of the reporting date is recorded as an impairment gain or loss.

Management is required to use judgment in determining the scenarios and their probabilities, which is reassessed at each reporting date. Factors related to the associates that are considered in assessing the probability-weighted scenarios include: cash and liquidity position; historical and projected operating results and free cash flows; compliance with financial covenants as stipulated by the loan agreement; ability to make timely principal and interest payments; and ability to obtain alternative financing at maturity.

20.23.4 Impairment of non-financial assets

In determining the recoverable amount of a CGU, various estimates are employed. The Corporation determines FVLCD by using estimates such as market multiple relevant to the CGU. The Corporation determines VIU by using estimates such as future cash flows and post-tax discount rates.

Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing fixed assets for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and indefinite life intangible assets are tested for impairment. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

20.23.5 Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of deferred taxable income. The Corporation’s income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions in Canada and the United States. The Corporation’s effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of deferred tax assets and liabilities. The Corporation’s income tax expense reflects an estimate of the cash taxes the Corporation is expected to pay for the current year and a provision for changes arising in the values of deferred tax assets and liabilities during the year.

20. MATERIAL ACCOUNTING POLICIES (Continued)

The carrying value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, management's expectations about future operating results, and previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authorities. Such differences in interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective legal entity's domicile. On a regular basis, management assesses the likelihood of recovering value from deferred tax assets, such as loss carry forwards, as well as from the depreciation of capital assets, and adjusts the tax provision accordingly.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be used. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax-planning strategies. If management's estimates or assumptions change from those used in current valuation, management may be required to recognize an adjustment in future periods that would increase or decrease deferred income tax asset or liability and increase or decrease income tax expense.

20.24 New and revised IFRS not yet adopted

As of the reporting date of these consolidated financial statements, the Corporation has not adopted the following new and revised IFRS that have been issued but are not yet effective:

20.24.1 Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1")

The amendments to IAS 1 clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date. The amendments also specify that the 'settlement' of a liability refers to the transfer to the counterparty of cash, equity instruments, and/or other assets or services.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Early application is permitted.

20.24.2 Amendments to IAS 7, *Statement of Cash Flows* ("IAS 7") and IFRS 7, *Financial Instruments* ("IFRS 7")

The amendments to IAS 7 state that an entity is required to disclose information about its supplier finance arrangements, including the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements to the disclosure requirements about an entity's exposure to concentration of liquidity risk.

The amendments are applicable for annual reporting periods beginning on or after January 1, 2024. Early application is permitted.

20. MATERIAL ACCOUNTING POLICIES (Continued)

20.24.3 Amendments to IFRS 16, *Leases* ("IFRS 16")

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that require the seller or lessee to determine lease payments or revised lease payments such that the seller or lessee does not recognise a gain or loss that relates to the right of use retained by the seller or lessee.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early application is permitted.

The Corporation does not anticipate the adoption of these amendments to have a material impact on the consolidated financial statements in future periods. There are no other new and revised IFRS that have been issued but not yet adopted that would be expected to have a material impact on the Corporation.