Consolidated Financial Statements of

ANDLAUER HEALTHCARE GROUP INC.

For the years ended December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Andlauer Healthcare Group Inc.

Opinion

We have audited the consolidated financial statements of Andlauer Healthcare Group Inc. (the "Entity"), which comprise:

- the consolidated balance sheets as at December 31, 2019 and December 31, 2018
- the consolidated statements of income and comprehensive income for the years ended December 31, 2019 and December 31, 2018
- the consolidated statements of changes in equity for the years ended December 31, 2019 and December 31, 2018
- the consolidated statements of cash flows for the years ended December 31, 2019 and December 31, 2018
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and December 31, 2018 in accordance with International Financial Reporting Standards ("IFRS").

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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter — Basis of Presentation

We draw attention to Note 2 to the financial statements, which describes the basis of presentation, including the approach to and the purpose for preparing the financial statements including the comparative information.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work that we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is John J. Pryke

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
March 12, 2020

Andlauer Healthcare Group Inc.

Consolidated Balance Sheets

As at December 31, 2019 and 2018

(In thousands of Canadian dollars, except shares, share price and earnings per share)

Assets	**Note**	**December 31, 2019**	**December 31, 2018**
Current assets			
Cash and cash equivalents	5	$ 18,712	$ 53,657
Accounts receivable	6	51,060	48,430
Inventories	7	1,071	1,366
Prepaid expenses and other		2,307	1,448
Due from related parties	21	239	54,957
Due from employee trust	2	13,875	-
		87,264	159,858
Non-current assets			
Long-term deposits		938	718
Property, plant and equipment	8	103,326	91,847
Goodwill and intangible assets	9	21,421	23,694
Deferred income taxes	17	46	460
Total Assets		**$ 212,995**	**$ 276,577**
Liabilities and Equity			
Current liabilities			
Revolving credit facility	11	$ 3,929	$ -
Accounts payable and accrued liabilities	10	24,942	27,096
Current portion of lease liabilities	18	19,129	17,940
Income taxes payable		8,695	41
		56,695	45,077
Long-term liabilities			
Lease liabilities	18	69,584	61,080
Deferred income taxes	17	321	372
Due to related parties	21	335	320
Term facility	11	24,555	-
Total Liabilities		**151,490**	**106,849**
Equity			
Total net parent investment	2	-	163,811
Non-controlling interest	19	-	5,917
Common share capital	13	549,679	-
Contributed surplus	15	1,394	-
Merger reserve	2	(488,916)	-
Deficit		(652)	-
		61,505	169,728
Commitments and contingencies	20		
Subsequent event	23		
Total Liabilities and Equity		**$ 212,995**	**$ 276,577**

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"*Peter Jelley*" Director

"*Thomas G. Wellner*" Director

Andlauer Healthcare Group Inc.

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2019 and 2018

(In thousands of Canadian dollars, except shares, share price and earnings per share)

	Note	December 31, 2019	December 31, 2018
Revenue	16	$ 289,988	$ 277,010
Operating Expenses			
Cost of transportation and services		121,405	116,780
Direct operating expenses		74,792	74,190
Selling, general and administrative expenses		23,092	21,683
Depreciation and amortization		25,706	23,491
		244,995	236,144
Operating Income		**44,993**	**40,866**
Other income (expense)		(145)	19
Interest income		1,004	879
Interest expense		(3,503)	(3,048)
Income before income taxes		42,349	38,716
Current income tax expense	17	11,641	10,533
Deferred income tax expense (recovery)	17	363	(2)
		12,004	10,531
Net income and comprehensive income		**30,345**	**28,185**
Net income attributable to:			
Shareholders of the Company		29,773	26,723
Non-controlling interests	19	572	1,462
		$ 30,345	**$ 28,185**
Net earnings per share attributable to the Common Shareholders of the Company:			
Basic earnings per share	14	**$ 0.79**	N/A
Diluted earnings per share	14	**$ 0.79**	N/A

See accompanying notes to consolidated financial statements.

Andlauer Healthcare Group Inc.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(In thousands of Canadian dollars, except shares, share price and earnings per share)

	Attributable to Common Shareholders of the Company							
	Number of shares (thousands) (note 13)	**Share capital** (notes 1, 13)	**Merger reserve** (note 2)	**Contributed surplus** (note 15)	**Deficit**	**Total net parent investment** (note 2)	**Non-controlling interests** (note 19)	**Total equity**
Balance at December 31, 2017	-	$ -	$ -	$ -	$ -	$ 157,338	$ 10,205	$ 167,543
Net income for the year	-	-	-	-	-	26,723	1,462	28,185
Distributions and dividends	-	-	-	-	-	(25,850)	(150)	(26,000)
Adjustment on acquisition of NCI	-	-	-	-	-	5,600	(5,600)	-
Balance at December 31, 2018	-	-	-	-	-	163,811	5,917	169,728
Net income for the period	-	-	-	-	-	30,425	572	30,997
Distributions and dividends[1]	-	-	-	-	-	(112,016)	-	(112,016)
Adjustment on acquisition of NCI	-	-	-	-	-	6,489	(6,489)	-
Balance at December 10, 2019	-	-	-	-	-	88,709	-	88,709
Net income and comprehensive income for the period December 11-31, 2019	-	-	-	-	(652)	-	-	(652)
Shares issued in connection with the acquisition of the AHG Entities	26,100	391,500	-	-	-	-	-	391,500
Acquisition of the AHG Entities	-	-	(488,916)	-	-	(88,709)	-	(577,625)
Shares issued in connection with the initial public offering	11,500	172,500	-	-	-	-	-	172,500
Transaction costs	-	(14,321)	-	-	-	-	-	(14,321)
Share-based compensation	-	-	-	1,394	-	-	-	1,394
Balance at December 31, 2019	**37,600**	**$ 549,679**	**$ (488,916)**	**$ 1,394**	**$ (652)**	**$ -**	**$ -**	**$ 61,505**

[1]Distributions and dividends of $112,016 in 2019 includes income tax of $9,379 charged to net parent investment.

See accompanying notes to consolidated financial statements.

Andlauer Healthcare Group Inc.
Consolidated Statements of Cash Flow
For the years ended December 31, 2019 and 2018
(In thousands of Canadian dollars, except shares, share price and earnings per share)

	Note	December 31, 2019	December 31, 2018
Operating activities			
Net income for the year		$ 30,345	$ 28,185
Changes not involving cash:			
Depreciation and amortization		25,706	23,491
Share-based compensation	15	1,394	-
Deferred income tax expense (recovery)	17	363	(2)
Loss on disposal of property, plant and equipment		107	1
		57,915	51,675
Changes in non-cash operating working capital:			
Accounts receivable		(2,630)	(3,447)
Inventories		295	(204)
Accounts payable and accrued liabilities		(2,154)	4,131
Income taxes payable		8,654	12
Net change in other operating working capital balances		(1,079)	171
Cash flows from operating activities		61,001	52,338
Financing activities			
Distributions to related parties	2	(112,016)	(26,000)
Principal repayments on lease liabilities	18	(19,161)	(16,817)
Net change in related party balances		54,733	(3,515)
Loan receivable from employee trust	2	(13,875)	-
Proceeds from revolving credit facility	11	25,000	-
Proceeds from term facility	11	25,000	-
Repayment of revolving credit facility	11	(21,071)	-
Net financing costs on credit facilities	11	(445)	-
Proceeds from issuance of share capital	13	172,500	-
Transaction costs recorded in share capital	1	(14,321)	-
Repayment of promissory note	2	(186,125)	-
Cash flows used in financing activities		(89,781)	(46,332)
Investing activities			
Purchase of property, plant and equipment		(5,935)	(2,508)
Proceeds on disposal of property, plant and equipment		-	89
Purchase of intangible assets	9	(230)	(78)
Cash flows used in investing activities		(6,165)	(2,497)
Net (decrease) increase in cash and cash equivalents		(34,945)	3,509
Cash and cash equivalents, beginning of year		53,657	50,148
Cash and cash equivalents, end of year		**$ 18,712**	**$ 53,657**

See accompanying notes to consolidated financial statements.

1. Reporting entity

Andlauer Healthcare Group Inc. ("AHG") was incorporated under the Ontario Business Corporations Act on November 12, 2019 with its head office located in Woodbridge, Ontario. AHG's subordinate voting shares are listed on the Toronto Stock Exchange under the stock symbol "AND". AHG specializes in third party logistics and transportation solutions for the healthcare sector in Canada.

On December 4, 2019, AHG entered into an underwriting agreement and filed a long form prospectus for the purpose of completing an initial public offering, which closed on December 11, 2019 (the ''Closing''). AHG raised gross proceeds of $150,000 through the issuance of 10 million subordinate voting shares at a price of $15.00 per subordinate voting share. On December 16, 2019, a further 1.5 million subordinate voting shares were issued at a price of $15.00 per subordinate voting share resulting in $22,500 of additional gross proceeds pursuant to the exercise of an over-allotment option in the underwriting agreement. Transaction costs of $15,273 were incurred in connection with the initial public offering, of which $14,321 have been offset against the proceeds of the subordinate voting shares, and $952 have been expensed in the period.

Andlauer Management Group Inc. ("AMG") holds all of the multiple voting shares of AHG and 75,000 subordinate voting shares, representing approximately 67% of the issued and outstanding shares and 89% of the voting power attached to all of the shares. AMG is owned and controlled by Michael Andlauer, Chief Executive Officer and a director of AHG.

2. Basis of presentation

a) Statement of compliance

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

b) Basis of measurement

These consolidated financial statements were prepared on a going concern basis under the historical cost method. Significant accounting policies are presented in note 3 to these consolidated financial statements and have been consistently applied in each of the periods presented. These consolidated financial statements were authorized for issue by the Board of Directors effective March 12, 2020.

These financial statements comprise the consolidated financial results of AHG and Associated Logistics Solutions Inc., Credo Canada Systems Inc., 2186940 Ontario Inc. and their respective subsidiaries (collectively, the "AHG Entities") as at and for the year ended December 31, 2019 and the combined financial results of the AHG Entities as at and for the year ended December 31, 2018 and up to the date of the initial public offering (collectively the "Company").

Common control transaction

In connection with a series of transactions that occurred prior to, and on, the date of Closing, AHG acquired a 100% ownership interest in the AHG Entities in exchange for 25.1 million multiple voting shares valued at $376,500, 1.0 million subordinate voting shares valued at $15,000 and a promissory note for $186,125 which was settled with the proceeds of the initial public offering and proceeds from the credit facilities (note 11).

2. Basis of presentation (continued)

Common control transaction (continued)

AHG's acquisition of the AHG Entities is a business combination involving entities under common control in which all of the combining entities are ultimately controlled by AMG, both before and after the reorganization transactions were completed. Business combinations involving entities under common control are outside the scope of IFRS 3 *Business Combinations*. AHG accounted for this common control transaction using book value accounting, based on the book values recognized in the financial statements of the underlying entities. This election results in the financial statements being restated for periods prior to the date of obtaining common control, to reflect the combination as if it had occurred from the beginning of the period that the entities were under common control, regardless of the actual date the common control transaction closed.

(i) Total net parent investment

The comparative financial statements for 2018 have been prepared on a combined basis. Accordingly, it is not meaningful to show share capital or provide an analysis of reserves. Therefore, amounts which reflect the carrying value of investments in the combined entities are disclosed as "Total net parent investment", while carrying value of net assets attributable to shareholders other than the Company are presented as "Non-controlling interests" ("NCI"). Since the Company was not an existing legal entity during 2018 and up to December 10, 2019, the combined entities have no historical capital structure. Consequently, earnings per share as required by IAS 33 *Earnings per share* has not been presented for 2018. The amounts reflected in distributions and dividends in the consolidated statements of changes in equity refer to dividends or distributions paid to the parent and dividends paid to NCI. Distributions and dividends of $112,016, net of $9,379 of related income tax, were made to the parent in 2019.

(ii) Merger reserve

Pursuant to a share purchase agreement between AHG and its parent, and in connection with a corporate reorganization immediately prior to the initial public offering, AHG acquired a 100% ownership interest in the AHG Entities based on the value of consideration of $577,625. Total net parent investment as at December 10, 2019 (immediately prior to the Closing) was $88,709. A merger reserve of $488,916 is recorded to reflect the difference in carrying value of the net assets acquired and the consideration paid since AHG and the AHG Entities were all related under the common control of AMG at the time of the acquisition.

(iii) Employee trust

An employee trust was established at Closing, the beneficiaries of which will be executive officers and employees of the Company. AHG made a non-interest bearing loan of $13,875 to the employee trust which the employee trust used to acquire 925,000 subordinate voting shares from AMG. As the subordinate voting shares are allocated and/or distributed to beneficiaries of the employee trust, contributions will be made by the respective employer of any such beneficiary to the employee trust at $15.00 per subordinate voting share and used by the employee trust to repay the non-interest bearing loan.

2. Basis of presentation (continued)

c) Basis of combination

(i) Business combinations

The Company measures goodwill as the fair value of the consideration transferred including the fair value of liabilities resulting from contingent consideration arrangements, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at fair value as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company.

The Company's wholly-owned subsidiaries include:

Entity	Incorporation Jurisdiction
2040637 Ontario Inc.	Ontario
2186940 Ontario Inc.	Ontario
2721275 Ontario Limited	Ontario
Accuristix Healthcare Logistics Inc.	Ontario
Accuristix Inc.	Ontario
Accuristix	Ontario
Associated Logistics Solutions Inc.	Ontario
ATS Andlauer Transportation Services GP Inc.	Canada
ATS Andlauer Transportation Services LP	Manitoba
Concord Supply Chain Solutions Inc.[1]	Delaware
Credo Systems Canada Inc.	Ontario
Nova Pack Ltd.	Ontario
MEDDS Winnipeg – A Medical Delivery Service Corporation	Manitoba
MEDDS Canada – A Medical Delivery Service Corporation[1]	Canada

1 Entity has been dormant throughout the entire reporting period.

(iii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

2. Basis of presentation (continued)

e) Use of estimates and judgments

The preparation of the accompanying consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include the expected credit losses on accounts receivable, the useful life of long-lived assets, the Company's incremental borrowing rate, valuation of property, plant and equipment, valuation of goodwill and intangible assets, the measurement of identified assets and liabilities acquired in business combinations, share-based compensation arrangements, the provision for income taxes and other provisions and contingencies. These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions resulting from changes in the economic environment will be reflected in the consolidated financial statements of future periods. Information about critical judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 6 – Determining the expected credit losses related to trade accounts receivable;
- Note 8 – Estimating the useful life of the Company's property, plant and equipment and determining estimates and assumptions related to impairment tests for long-lived assets;
- Note 9 – Estimating the useful life of the Company's intangible assets and determining estimates and assumptions related to impairment tests for intangibles and goodwill;
- Note 15 – Determining the valuation of share-based compensation arrangements;
- Note 17 – Determining estimates and assumptions in measuring deferred tax assets and liabilities;
- Note 18 – Estimating the Company's incremental borrowing rate in connection with measuring lease liabilities; and
- Note 20 – Recognition and measurement of provisions and contingencies.

3. Significant accounting policies

Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currencies of each entity at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate in effect at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the rate in effect on the transaction date. Income and expense items denominated in foreign currency are translated at the date of the transactions. Gains and losses are included in income or loss.

Revenue

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those products or services.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The following is a description of the Company's performance obligations for the transportation and logistics reportable segments.

a) Specialized Transportation

The Company's transportation segment generates revenue from providing specialized ground transportation, air freight forwarding and dedicated and last mile transportation services for its customers. Certain additional services may be provided to customers as part of their transportation contracts, such as temperature control and other incidental services. The transaction price is based on the consideration specified in the customer's contract. A contract exists when a customer under a transportation contract submits a shipment document for the transport of goods from origin to destination. The performance obligations within each contract are satisfied as the shipments move from origin to destination. Transportation revenue is recognized proportionally as a shipment moves from origin to destination and the related costs are recognized as incurred. Performance obligations are short-term, with transit days less than one week. Generally, customers are billed upon shipment of the freight, and remit payment according to approved payment terms.

b) Healthcare Logistics

The Company's healthcare logistics segment generates revenue from providing supply chain services for its customers, including logistics and distribution services and packaging solutions. The Company's contracts typically include a single performance obligation that is satisfied over time as customers simultaneously receive and consume the benefits of the Company's services. For this performance obligation, the Company recognizes revenue at the invoiced amount, which is billed on a fixed price per unit of logistics activities provided in the month, since this amount corresponds directly to the Company's performance and the value to the customer. In some cases, the Company's contracts include other performance obligations related to managing transportation and other customer services which are included in the logistics and distribution product. These services are typically priced at their stand-alone selling prices and are recognized over time on a proportionate and straight-line basis as the customer simultaneously receives and consumes the benefits of the Company's services.

3. Significant accounting policies (continued)

Revenue (continued)

b) Healthcare Logistics (continued)

In some cases, the contract will include optional services that are priced at their stand-alone selling prices. These services are recognized as revenue when they are provided to the customer.

Customers are typically billed on a weekly basis for transactional transportation services, and on a monthly basis for logistics and distribution services, and remit payment according to approved payment terms. Payment terms may range under certain contracts, but are typically 30 days. The Company recognizes unbilled revenue for transportation service revenue that has been recognized, but is not yet billed. The Company will also recognize deferred revenue when customers are billed in advance for transportation and logistics and distribution services.

Property, plant and equipment

Property, plant and equipment is accounted for at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, the costs of dismantling and removing the assets and restoring the site on which they are located and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in net income or loss.

Depreciation is based on the cost of an asset less its residual value and is recognized in income or loss over the estimated useful life of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation is computed on either a declining balance basis or a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Amortization Method
Facilities	Straight-line over the term of the lease
Furniture and fixtures	20-30% declining balance
Leasehold improvements	5-15 year straight-line subject to the shorter of remaining lease term or useful life
Logistics and transportation equipment	20-30% declining balance, except for storage vaults – which are amortized straight line over 40 years

Property, plant and equipment acquired or constructed during the year but not placed into use during the year are not amortized until put into use.

3. Significant accounting policies (continued)

Goodwill and intangible assets

Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Intangible assets consist of customer relationships and internally generated software.

For internally generated software, expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Customer relationships that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization

Goodwill is not amortized.

Internally generated software is amortized on a straight-line basis over 10 years. Internally generated software acquired or constructed during the year but not placed into use during the year is not amortized until placed into use.

Customer relationships are amortized on a straight-line basis over their estimated useful lives of between 5 and 10 years.

Impairment

The carrying amounts of the Company's non-financial assets other than inventoried supplies and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated on December 31 of each year as part of the annual impairment test. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs (usually an operating segment of the Company), that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or group of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, if any, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a prorated basis.

3. Significant accounting policies (continued)

Goodwill and intangible assets (continued)

Impairment (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses and impairment reversals are recognized in income or loss.

Leases

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

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represents substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. For the leases of land and buildings in which it is a lessee, the Company has elected to account for the lease and non-lease components separately.

a) For arrangements in which the Company is a lessee

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU 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 ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of ROU assets are determined by the estimated lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. Significant accounting policies (continued)

Leases (continued)

a) For arrangements in which the Company is a lessee (continued)

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

b) Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

c) For arrangements in which the Company is a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other income'.

3. Significant accounting policies (continued)

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they 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.

Financial instruments

Financial assets

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

The Company’s financial assets are comprised of cash and cash equivalents, accounts receivable, due from related parties, and long-term deposits. On initial recognition, the Company classifies these financial assets as measured at amortized cost, when both of the following conditions are met:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

These financial 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 and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

For accounts receivables, the Company applies a simplified approach in calculating expected credit losses ("ECLs"). Therefore the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Financial liabilities are classified at amortized cost

The Company's financial liabilities are measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Transaction costs

Transaction costs that are incremental and directly attributable to the acquisition or issue of a financial asset of financial liability are recorded as follows:

- Financial assets or financial liabilities at fair value through profit and loss – expensed to net income as incurred;
- Financial assets or liabilities recorded at amortized cost – included in the carrying value of the financial asset or financial liability and amortized over the expected life of the financial instrument using the effective interest method; and
- Equity instruments recorded at fair value through other comprehensive income – included in the initial cost of the underlying asset.

3. Significant accounting policies (continued)

Inventories

Inventories, which consist of repair parts, materials and supplies, are carried at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis and includes all costs of purchase and any other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions

A provision is recognized if, as a result of a past event, the Company 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognized as finance cost.

Segmented reporting

The Company is organized into two reportable segments: Specialized Transportation and Healthcare Logistics. In the Specialized Transportation segment, the Company provides specialized temperature controlled services to healthcare customers. The Company’s transportation products include: ground transportation (comprising less-than-truckload and courier services), air freight forwarding, and dedicated and last mile delivery.

In the Healthcare Logistics segment, the Company provides contract logistics services for customers, including logistics and distribution (comprising warehousing and inventory management, order fulfillment, reverse logistics, and transportation management), and packaging (comprising reusable thermal packaging solutions and trade customization services).

Certain of the Company’s operating units provide services to other Company operating units outside of their reportable segment. Billings for such services are based on negotiated rates, which approximates fair value, and are reflected as revenues of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenues and expenses are eliminated in the Company’s consolidated results. The Company’s chief executive officer is the Chief Operating Decision Maker (“CODM”) for the Company. The CODM regularly reviews financial information at the reporting segment level in order to make decisions about resources to be allocated to the segments and to assess their performance. Segment results that are reported to the CODM include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. The Company evaluates performance based on the various financial measures of its two reporting segments.

3. Significant accounting policies (continued)

Share-based compensation

The Company has an omnibus stock option plan and records all stock-based payments, including grants of employee stock options, at their respective fair values. The fair value of stock options granted to employees and directors is estimated at the date of grant using the Black Scholes option pricing model. The Company recognizes share-based compensation expense over the vesting period, over the life of the tranche of shares being considered. The Company also estimates forfeitures at the time of grant and revises its estimate, if necessary, in subsequent periods if actual forfeitures differ from these estimates. Any consideration paid by employees on exercising stock options and the corresponding portion previously credited to additional paid-in capital are credited to share capital. The Company's stock option plan is equity-settled.

The Black-Scholes option pricing model used by the Company to calculate option values was developed to estimate the fair value. This model also requires assumptions, including expected option life, volatility, risk-free interest rate and dividend yield, which greatly affect the calculated values.

Expected option life is determined using the time-to-vest-plus-historical-calculation-from-vest-date method that derives the expected life based on a combination of each tranche's time to vest plus the actual or expected life of an award based on the past activity or remaining time to expiry on outstanding awards. Expected forfeiture is derived from historical patterns. Expected volatility is determined using comparable companies for which the information is publicly available, adjusted for factors such as industry, stage of life cycle, size and financial leverage. The risk-free interest rate is determined based on the rate at the time of grant and cancellation for zero-coupon Canadian government securities with a remaining term equal to the expected life of the option. Dividend yield is based on the stock option's exercise price and expected annual dividend rate at the time of grant.

Forthcoming standards

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

(a) Amendments to IFRS 3 Business Combinations – Change in definition of business

In October 2018, the IASB issued amendments to IFRS 3 *Business Combinations* that seek to clarify whether a transaction results in an asset or a business acquisition.

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The amendment applies to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The application of this amendment is not expected to have a material impact on the consolidated financial statements.

(b) Amendments to IAS 1 and IAS 8 - Definition of 'Material'

In October 2018, the IASB refined its definition of material to make it easier to understand. In the amendment, IASB promoted the concept of 'obscuring' to the definition, alongside the existing references to 'omitting' and 'misstating'. Additionally, the IASB increased the threshold of 'could influence' to 'could reasonably be expected to influence'. The amendments are effective from January 1, 2020 but may be applied earlier. The application of this amendment is not expected to have a material impact on the consolidated financial statements.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

4. Segment reporting

The Company is organized into two operating segments, which it also considers to be reportable segments: Specialized Transportation and Healthcare Logistics. The operating segments are managed independently as they require different technology and capital resources. For each of the operating segments, the Company's CODM reviews internal management reports, evaluating the metrics as summarized in the tables below.

The Company evaluates performance based on the various financial measures of its two operating segments. Performance is measured based on segment income or loss before tax. This measure is included in the internal management reports that are reviewed by the Company's CEO and refers to "Income before income taxes" in the consolidated statements of income and comprehensive income. Segment income or loss before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the same industries. The following table identifies selected financial data as at December 31, 2019 and 2018 and for the years then ended:

	Specialized Transportation	Healthcare Logistics	Corporate	Eliminations	Total
As at December 31, 2019 and for the year then ended					
Revenue	$ 205,385	$ 109,618	$ -	$ (25,015)	$ 289,988
Segment income before tax	33,995	10,770	(2,416)	-	42,349
Interest income	901	103	-	-	1,004
Interest expense	(1,796)	(1,639)	(68)	-	(3,503)
Depreciation and amortization	16,137	9,569	-	-	25,706
Segment net income	24,861	7,900	(2,416)	(572)	29,773
Segment total assets	125,673	91,837	592,350	(596,865)	212,995
Acquisition of ROU assets	26,311	2,542	-	-	28,853
Capital expenditures	3,744	2,232	-	(41)	5,935
Segment total liabilities	80,287	46,750	43,693	(19,240)	151,490
As at December 31, 2018 and for the year then ended					
Revenue	$ 193,720	$ 106,430	$ -	$ (23,140)	$ 277,010
Segment income before tax	29,739	8,977	-	-	38,716
Interest income	1,106	4	-	(231)	879
Interest expense	(1,173)	(2,106)	-	231	(3,048)
Depreciation and amortization	13,768	9,723	-	-	23,491
Segment net income	21,578	6,607	-	(1,462)	26,723
Segment total assets	187,255	93,235	-	(3,913)	276,577
Acquisition of ROU assets	18,643	196	-	-	18,839
Capital expenditures	1,558	1,046	-	(96)	2,508
Segment total liabilities	57,579	53,183	-	(3,913)	106,849

The Company's Healthcare Logistics segment purchases transportation services from its Specialized Transportation segment. Fees for these services are based on negotiated rates, which approximate fair value, and are reflected as revenues of the Specialized Transportation segment. Rates are adjusted from time to time based on market conditions. Intersegment revenues and expenses and related intersegment payables and receivables are eliminated in the Company's consolidated results.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

4. Segment reporting (continued)

An intersegment loan from the Specialized Transportation segment to the Healthcare Logistics segment was repaid during 2018. The intersegment loan balance and related interest income and expense are eliminated from the Company's consolidated results.

The Company does not have any customers that individually represent more than 10% of revenue.

5. Cash and cash equivalents

	December 31, 2019	December 31, 2018
Bank balances	$ 18,712	$ 48,502
Deposits	-	5,155
Cash and cash equivalents	**$ 18,712**	**$ 53,657**

Cash and cash equivalents includes a $nil (2018 - $5,155) short-term deposit with a six-month term that is held by the Company. The deposit bears an annual interest rate of 2.50% and was redeemed on June 6, 2019. Accrued interest at December 31, 2019 is $nil (2018 - $7).

6. Accounts receivable

	December 31, 2019	December 31, 2018
Trade receivables	$ 50,769	$ 48,424
Trade receivables due from related parties (note 21)	441	383
Impairment loss	(150)	(377)
Accounts receivable	**$ 51,060**	**$ 48,430**

7. Inventories

Inventories consist of:

	December 31, 2019	December 31, 2018
Packaging inventory	$ 840	$ 943
Thermal packaging products and parts	231	423
Inventories	**$ 1,071**	**$ 1,366**

In 2019, the Company purchased a total of $5,710 in inventory (2018 - $6,515) and $6,005 was recognized as an expense (2018 - $6,311) during the year and included in direct operating expenses.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

8. Property, plant and equipment

Reconciliation of the net carrying amounts for each class of property, plant and equipment is summarized below:

	Facilities[1]	Furniture and fixtures	Leasehold improvements	Logistics and transportation equipment[1]	Total
Cost					
Balance at December 31, 2017	$ 71,485	$ 7,515	$ 13,501	$ 57,978	$ 150,479
Additions	7,623	2	1,201	12,521	21,347
Dispositions	-	-	-	(175)	(175)
Balance at December 31, 2018	79,108	7,517	14,702	70,324	171,651
Additions	17,708	290	2,033	14,758	34,789
Dispositions	-	-	(330)	-	(330)
Balance at December 31, 2019	**$ 96,816**	**$ 7,807**	**$ 16,405**	**$ 85,082**	**$ 206,110**
Accumulated depreciation					
Balance at December 31, 2017	19,614	5,191	4,470	29,789	59,064
Depreciation for the year	9,860	423	1,378	9,164	20,825
Dispositions	-	-	-	(85)	(85)
Balance at December 31, 2018	29,474	5,614	5,848	38,868	79,804
Depreciation for the year	11,057	379	1,652	10,115	23,203
Dispositions	-	-	(223)	-	(223)
Balance at December 31, 2019	**$ 40,531**	**$ 5,993**	**$ 7,277**	**$ 48,983**	**$ 102,784**
Net carrying amounts					
At December 31, 2018	**$ 49,634**	**$ 1,903**	**$ 8,854**	**$ 31,456**	**$ 91,847**
At December 31, 2019	**$ 56,285**	**$ 1,814**	**$ 9,128**	**$ 36,099**	**$ 103,326**

[1] Facilities and certain logistics and transportation equipment assets are ROU assets, capitalized in accordance with IFRS 16. Refer to note 18.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

9. Goodwill and intangible assets

	Goodwill	Customer relationships	Software	Proprietary technology	Total
Cost					
Balance at December 31, 2017	$ 19,720	$ 22,545	$ 5,245	$ 1,156	$ 48,666
Additions	-	-	78	-	78
Balance at December 31, 2018	19,720	22,545	5,323	1,156	48,744
Additions	-	-	230	-	230
Balance at December 31, 2019	**$ 19,720**	**$ 22,545**	**$ 5,553**	**$ 1,156**	**$ 48,974**
Accumulated amortization					
Balance at December 31, 2017	$ -	$ 18,366	$ 2,862	$ 1,156	$ 22,384
Amortization for the year	-	2,180	486	-	2,666
Balance at December 31, 2018	-	20,546	3,348	1,156	25,050
Amortization for the year	-	1,999	504	-	2,503
Balance at December 31, 2019	**$ -**	**$ 22,545**	**$ 3,852**	**$ 1,156**	**$ 27,553**
Net carrying amounts					
At December 31, 2018	**$ 19,720**	**$ 1,999**	**$ 1,975**	**$ -**	**$ 23,694**
At December 31, 2019	**$ 19,720**	**$ -**	**$ 1,701**	**$ -**	**$ 21,421**

The Company performs annual goodwill impairment testing for the Healthcare Logistics segment. The Company assesses goodwill at the operating segment level, which is the lowest level within the Company at which the goodwill is monitored for internal management purposes. The results of the annual impairment testing determined that the recoverable amount of the Healthcare Logistics operating segment exceeded the respective carrying amount. The recoverable amount of the Healthcare Logistics operating segment was determined using the value in use approach. The value in use methodology is based on discounted future cash flows. Management believes that the discounted future cash flows method is appropriate as it allows more precise valuation of specific future cash flows. Therefore, the Company has determined that no impairment has arisen in connection with the CGU that gave rise to goodwill through the business combination. Accordingly, no impairment loss has been recognized in each of the years ended December 31, 2019 and 2018.

The majority of the customer relationships and proprietary technology reflects intangible assets that arose from a business combination in 2008 of the Specialized Transportation segment and the subsequent disposal of a portion of those operations in 2009. As at November 1, 2009, customer relationships intangibles of $21,801 were recognized with straight-line amortization over 10 years.

The Company performs an assessment for indicators of impairment for customer relationships and software at each reporting period. If an indicator of impairment exists, the Company would perform an impairment test to determine the recoverable amount. No such indicators of impairment were identified at any of the reporting periods covered by these financial statements.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

10. Accounts payable and accrued liabilities

	December 31, 2019	December 31, 2018
Trade payables and accrued liabilities	$ 22,047	$ 25,782
Trade payables due to related parties (note 21)	2,016	577
Deferred revenue (note 16)	879	737
	$ 24,942	**$ 27,096**

11. Credit facilities

	December 31, 2019	December 31, 2018
Revolving credit facility	$ 3,929	$ -
Term facility	25,000	-
	28,929	-
Less: financing costs	(445)	-
	$ 28,484	**$ -**

Recorded in the consolidated balance sheets as follows:

	December 31, 2019	December 31, 2018
Revolving credit facility	$ 3,929	$ -
Term facility	24,555	-
	$ 28,484	**$ -**

The movement in credit facilities from December 31, 2018 is as follows:

	Credit facilities
Balance at December 31, 2018	$ -
Changes from financing cash flows	
Issuance of borrowings – revolving credit facility	25,000
Issuance of borrowings – term facility	25,000
	50,000
Less: financing costs	(470)
	49,530
Repayment of revolving credit facility	(21,071)
	28,459
Non-cash movements	
Adjustment to capitalized financing costs	25
Balance at December 31, 2019	**$ 28,484**

11. Credit facilities (continued)

On December 11, 2019 the Company entered into credit facilities with affiliates of RBC and CIBC at Closing of the initial public offering. The credit facilities comprise a revolving credit facility in the aggregate principal amount of $75,000 and a term facility in the aggregate principal amount of $25,000. The credit facilities are available to be drawn in Canadian dollars by way of prime rate loans, bankers' acceptances and letters of credit, and in U.S. dollars by way of base rate loans, LIBOR based loans and letters of credit, in each case, plus the applicable margin in effect from time to time. At December 31, 2019, both the revolving credit facility and the term facility comprise prime rate loans at an interest rate of 4.4%.

The credit facilities are guaranteed by each of the Company's material subsidiaries and are secured by (i) a first priority lien over all personal property of the Company, subject to certain exclusions and permitted liens, (ii) charges over certain material leased real property interests, and (iii) a first ranking pledge of 100% of the securities of any subsidiary owned by the Company.

The credit facilities are subject to customary negative covenants and include financial covenants requiring the Company to maintain at all times a maximum net leverage ratio and a minimum interest coverage ratio, tested on a quarterly basis. At December 31, 2019, the Company is in compliance with all of its covenants under the credit facilities.

The credit facilities will mature and be due and payable on December 11, 2023.

Amounts recognized in the consolidated statements of income and comprehensive income in connection with interest expense for the credit facilities in 2019 was $68 (2018 – $nil).

12. Financial instruments and financial risk management

Accounting classifications and fair values

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities. The Company believes that the carrying amount of each of these items is a reasonable approximation of fair value.

Financial risk factors

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, interest rate risk, and currency risk. Senior management monitors risk levels and reviews risk management activities as they determine to be necessary.

Credit risk

The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its financial assets, namely cash and cash equivalents, accounts receivable and long-term deposits. The Company does not typically obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by performing credit check procedures for new customers and monitoring credit limits for existing customers. Thereby, the Company deals only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The maximum exposure to credit risk for cash and cash equivalents, accounts receivable and long-term deposits approximate the amount recorded on the consolidated balance sheets.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

12. Financial instruments and financial risk management (continued)

Credit risk (continued)

Accounts receivable aging is set out below:

	December 31, 2019	December 31, 2018
Current (not past due)	$ 31,198	$ 25,630
0-30 days past due	12,863	15,288
31-60 days past due	3,567	6,047
More than 61 days past due	1,306	341
Gross	48,934	47,306
Unbilled revenue (note 16)	2,276	1,501
Impairment loss	(150)	(377)
Accounts receivable, net	**$ 51,060**	**$ 48,430**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.

As of December 31, 2019, $3,929 (2018 - $nil) has been drawn on the $75,000 revolving credit facility, and $25,000 (2018 - $nil) has been drawn on the $25,000 term facility. There is no amortization of the term facility. The credit facilities are repayable in full on December 31, 2023.

The Company's accounts payable and accrued liabilities are due and payable in the short-term.

Interest rate risk

The Company has a revolving and term credit facilities that bear interest at a floating rate subject to fluctuations in the bank prime rate. Changes in the bank prime lending rate can cause fluctuations in interest payments and cash flows. The Company does not use derivative financial instruments to mitigate the effect of this risk. The facilities under this agreement bear interest at prime plus 0.45% per annum. At December 31, 2019, the interest rate was 4.4%.

Due to timing at which the Company entered into the credit facilities in relation to its year end, there has been no exposure to significant interest rate fluctuations.

12. Financial instruments and financial risk management (continued)

Currency risk

The Company enters into foreign currency purchase and sale transactions and has assets and liabilities that are denominated in foreign currencies and thus are exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk.

At year-end, the Company has the following US dollar foreign currency denominated balances:

Currency risk	December 31, 2019	December 31, 2018
Cash	$ 544	$ 491
Accounts receivable	85	108
Accounts payable and accrued liabilities	55	732

13. Share capital

The Company is authorized to issue an unlimited number of subordinate voting shares, an unlimited number of multiple voting shares, and an unlimited number of preferred shares, issuable in series. The subordinate voting shares and multiple voting shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of liquidation, dissolution, or wind-up. Holders of multiple voting shares are entitled to four votes per multiple voting share, and holders of subordinate voting shares are entitled to one vote per subordinate voting share on all matters upon which holders of shares are entitled to vote.

All of the multiple voting shares and 75 thousand subordinate voting shares are owned by the Company's parent, AMG. The following table summarizes the number of common shares issued (note 1):

	Number of common shares (in thousands)			Share capital (in thousands of dollars)		
	Multiple voting common shares	Subordinate voting common shares	Total common shares	Multiple voting common shares	Subordinate voting common shares	Total share capital
Balance at November 12, 2019	-	-	-	$ -	$ -	$ -
Shares issued in connection with the acquisition of the AHG Entities	25,100	1,000	26,100	376,500	15,000	391,500
Shares issued in connection with the initial public offering	-	10,000	10,000	-	150,000	150,000
Share issued in connection with the over-allotment option	-	1,500	1,500	-	22,500	22,500
Transaction costs	-	-	-	-	(14,321)	(14,321)
Balance at December 31, 2019	**25,100**	**12,500**	**37,600**	**$ 376,500**	**$ 173,179**	**$ 549,679**

14. Earnings per share

Basic earnings per share

The basic earnings per share and the weighted average number of common shares outstanding have been calculated as follows:

(in thousands of dollars and number of shares)		**December 31, 2019**
Net income attributable to the common shareholders of the Company	$	29,773
Weighted average number of common shares		37,600
Earnings per share – basic	**$**	**0.79**

Diluted earnings per share

The basic earnings per share and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares have been calculated as follows:

(in thousands of dollars and number of shares)		**December 31, 2019**
Net income attributable to the common shareholders of the Company	$	29,773
Weighted average number of common shares		37,600
Dilutive effect:		
Stock options		169
Weighted average number of diluted common shares		37,769
Earnings per share – diluted	**$**	**0.79**

15. Share-based payment arrangements

Stock option plan (equity-settled)

The Company offers a stock option plan for the benefit of certain of its employees. Each stock option entitles its holder to receive one subordinate voting common share upon exercise. The exercise price payable for each option is determined by the Board of Directors at the date of grant. The options vest in equal installments over four years and the expense is recognized following the accelerated method as each installment is fair valued separately and recorded over the respective vesting periods.

On December 11, 2019 the Board of Directors approved a grant of 1,650 thousand options. Of the options outstanding at December 31, 2019, a total of 700 thousand are held by non-executive directors; 400 thousand are held by executive officers; with the remaining 550 thousand held by key management personnel.

The fair value of the stock options granted was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	December 11, 2019
Exercise price	$ 15.00
Average expected option life	7 years
Risk-free interest rate	1.59%
Expected stock price volatility	24.77%
Average dividend yield	1.33%
Weighted average fair value per option of options granted	**$ 3.60**

In connection with the initial public offering, all non-executive directors were awarded 50 thousand options each which vested immediately. A total of 350 thousand options are exercisable at December 31, 2019.

The table below summarizes the changes in the outstanding stock options:

	December 31, 2019	
(in thousands of options and in dollars)	Number of options	Weighted average exercise price
Balance at November 12, 2019	-	$ -
Granted	1,650	15.00
Exercised	-	-
Forfeited	-	-
Balance at December 31, 2019	1,650	15.00
Options exercisable at December 31, 2019	**350**	**$ 15.00**

In 2019, the initial year in which stock options were granted, the Company recognized a compensation expense of $1,394 with a corresponding increase to contributed surplus.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

16. Revenue

A. **Revenue streams**

The Company generates revenue primarily from the provision of supply chain transportation and logistics services to its customers. The Company's contracts are typically satisfied over a short period of time. Consequently, the Company applies the practical expedient and does not disclose information related to its remaining performance obligations.

B. **Disaggregation of revenue from contracts with customers**

In the following table, revenue from contracts with customers is disaggregated by major products and service lines. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments (note 4).

Major products/service lines	**December 31, 2019**	**December 31, 2018**
Logistics and distribution	$ 88,311	$ 85,125
Packaging	21,307	21,305
Healthcare Logistics segment	**109,618**	**106,430**
Ground transportation	169,040	160,489
Air freight forwarding	19,656	19,332
Dedicated and last mile delivery	16,689	13,899
Intersegment revenue	(25,015)	(23,140)
Specialized Transportation segment	**180,370**	**170,580**
Total revenue	**$ 289,988**	**$ 277,010**

C. **Unbilled and deferred revenue**

At the end of a reporting period, the Company recognizes unbilled revenue where revenue has been recognized but for which an invoice has not yet been issued. These amounts are disclosed in note 12. The Company's unbilled revenue has increased from 2018 to 2019 throughout the period consistently with the annual growth in revenue.

The Company bills customers for transportation services based on the pick-up date. When shipments remain in transit at the end of a period, the Company defers revenue until the shipments are delivered. The Company does not regularly bill customers in advance for logistics and distribution services. Consequently, fluctuations in deferred revenue will occur year over year and will depend on specifically negotiated payment terms resulting from customer billing requests or concerns related to credit risk. To date, the changes in deferred revenue (note 10) have been largely insignificant. Revenue recognized in 2019 of $647 (2018 – $681) was included in the opening deferred revenue balance at the beginning of the year.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

17. Income taxes

A. **Amounts recognized in profit or loss**

	December 31, 2019	December 31, 2018
Current income tax expense:		
Current taxes on income for the reporting period	$ 11,718	$ 10,641
Current taxes referring to previous periods and other adjustments	(77)	(108)
	11,641	10,533
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences	$ 361	$ (134)
Impact of change in tax rates of subsidiaries	(21)	4
Deferred taxes referring to previous periods and other adjustments	23	128
	363	(2)
Income tax expense reported to the statements of income and comprehensive income	**$ 12,004**	**$ 10,531**

Total cash outflow for actual taxes paid in 2019 was $12,331 (2018 – $10,100).

B. **Reconciliation of effective tax rate**

	December 31, 2019	December 31, 2018
Income before income taxes	$ 42,349	$ 38,716
Consolidated Canadian federal and provincial income tax rate		
(26.5% consolidated rate)	26.50%	26.50%
Income tax expense based on statutory rate	$ 11,222	$ 10,260
Increase (decrease) in income taxes resulting from non-taxable items or adjustments of prior year taxes:		
Permanent differences	427	61
Impact of varying statutory tax rates of subsidiaries	122	183
Unrecognized tax losses	271	-
Taxes relating to previous periods and other adjustments	(38)	27
Total income tax expense	**$ 12,004**	**$ 10,531**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

17. Income taxes (continued)

C. **Deferred taxes**

	December 31, 2019	December 31, 2018
Deferred tax assets	$ 46	$ 460
Deferred tax liabilities	(321)	(372)
Net deferred tax (liability) asset	**$ (275)**	**$ 88**

D. **Movement in deferred tax balances**

	December 31, 2019	Movement	December 31, 2018
Plant and equipment	$ (519)	$ (259)	$ (260)
Accounts payable and accrued liabilities	268	(58)	326
Intangibles	709	513	196
Income deferred for tax purposes	(1,496)	(626)	(870)
Finance leases	763	67	696
Net deferred tax asset (liability)	**$ (275)**	**$ (363)**	**$ 88**

E. **Unrecognized deferred tax assets**

Deferred tax assets have not been recognized in respect of certain items. The Company is evaluating alternatives under which sufficient future taxable profit will be available against which the Company can use the benefits therefrom. Deductible temporary differences represent costs incurred by the Company related to the acquisition and charged directly to equity.

	2019		2018	
	Gross amount	Tax effect	Gross amount	Tax effect
Deductible temporary differences	$ 14,321	$ 3,795	$ -	$ -
Tax losses	1,021	271	-	-
	$ 15,342	**$ 4,066**	**$ -**	**$ -**

The tax losses of $1,021 will expire in 2039.

F. **Uncertainty over income tax treatments**

The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

18. Leases

The Company leases buildings and equipment in the operation of its Transportation and Logistics businesses. The Company estimated its incremental borrowing rates for portfolios of leases with similar characteristics, such as similar risk profiles, same or similar types of security, and similar lease terms. Building lease terms range from 5 to 10 years. Facilities lease liabilities are calculated using the Company's incremental borrowing rate based on the specific lease commitments and term for each facility. The average incremental borrowing rate for all facilities in 2019 is 3.75% (2018 – 3.69%). Equipment lease terms range from 1 to 5 years. Equipment lease liabilities are calculated using the operating segment's average incremental borrowing rate on an equipment lease portfolio basis for that year. The average incremental borrowing rate for equipment in 2019 is 4.07% for Specialized Transportation and 3.95% for Healthcare Logistics (2018 – 4.66% Specialized Transportation, 4.37% Healthcare Logistics).

Right of use assets – Facilities		**December 31, 2019**		**December 31, 2018**
Opening balance	$	49,634	$	51,871
Add: additions		17,708		7,623
Less: depreciation		(11,057)		(9,860)
Ending balance	**$**	**56,285**	**$**	**49,634**

Right of use assets – Logistics and transportation equipment		**December 31, 2019**		**December 31, 2018**
Opening balance	$	25,400	$	21,788
Add: additions		11,145		11,215
Less: depreciation		(8,527)		(7,603)
Ending balance	**$**	**28,018**	**$**	**25,400**

Net carrying amounts of right-of-use assets		**December 31, 2019**		**December 31, 2018**
Facilities	$	56,285	$	49,634
Logistics and transportation equipment		28,018		25,400
Balance	**$**	**84,303**	**$**	**75,034**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

18. Leases (continued)

Lease liabilities – Facilities	December 31, 2019	December 31, 2018
Opening balance	$ 53,927	$ 55,394
Add: additions	17,583	7,506
Add: interest expense	2,238	2,205
Less: repayments	(10,562)	(8,973)
Less: interest payments	(2,238)	(2,205)
Ending balance	**$ 60,948**	**$ 53,927**

Lease liabilities – Logistics and transportation equipment	December 31, 2019	December 31, 2018
Opening balance	$ 25,093	$ 21,605
Add: additions	11,146	11,215
Add: interest expense	1,019	828
Less: repayments	(8,474)	(7,727)
Less: interest payments	(1,019)	(828)
Ending balance	**$ 27,765**	**$ 25,093**

Cash lease principal payments	December 31, 2019	December 31, 2018
Repayments of lease principal	$ 19,036	$ 16,700
Pre-payment of leases	125	117
Total lease payments	**$ 19,161**	**$ 16,817**

Lease liabilities	December 31, 2019	December 31, 2018
Facilities	$ (60,948)	$ (53,927)
Logistics and transportation equipment	(27,765)	(25,093)
Balance	**$ (88,713)**	**$ (79,020)**

Lease liabilities included in consolidated balance sheets	December 31, 2019	December 31, 2018
Current	$ (19,129)	$ (17,940)
Non-current	(69,584)	(61,080)
Balance	**$ (88,713)**	**$ (79,020)**

Maturity analysis for lease liabilities - contractual undiscounted cash flows	December 31, 2019	December 31, 2018
Less than one year	$ 22,407	$ 20,798
One to 5 years	58,882	51,003
More than 5 years	19,092	19,120
Total undiscounted lease liabilities	**$ 100,381**	**$ 90,921**

Amounts recognized in the consolidated statements of income and comprehensive income in connection with interest expense for lease liabilities in 2019 was $3,257 (2018 – $3,033). Total cash outflow for leases for 2019 was $22,418 (2018 – $19,850).

(In thousands of Canadian dollars, except shares, share price and earnings per share)

19. Non-controlling interests

On June 13, 2019, the outstanding equity interests in Associated Logistics Solutions Inc. were purchased from Bourbon Street Enterprises Inc., reducing the non-controlling interest ownership percentage from 15% to nil. The carrying amount of NCI purchased at the time of the transaction was $6,489, after giving effect to income attributable to NCI for the period of $572. As the transaction was with the ultimate parent the transaction has reduced NCI by $6,489 and increased net parent investment by the same amount.

On July 19, 2018, 15% of the equity interest in Associated Logistics Solutions Inc. was purchased from Bourbon Street Enterprises Inc. reducing Bourbon Street Enterprises Inc.'s NCI from 30% to 15% of Associated Logistics Solutions Inc. The carrying amount of NCI purchased at the time of the transaction was $5,600. As the transaction was with the ultimate parent the transaction has reduced NCI by $5,600 and increased net parent investment by the same amount.

The following table summarizes the information relating to the Company's subsidiary that had a material NCI, before any intercompany eliminations in 2018.

December 31, 2018	**Associated Logistics Solutions Inc.**
NCI percentage	15%
Non-current assets	$ 69,838
Current assets	22,050
Non-current liabilities	40,109
Current liabilities	12,333
Net Assets	$ 39,446
Net assets attributable to NCI	5,917
Revenue	104,941
Net Income	6,429
Net income allocated to NCI	1,462
Dividends paid to NCI	(150)
Cash flows from operating activities	18,186
Cash flows used in investment activities	(1,145)
Cash flows used in financing activities	(15,651)
Net increase in cash and cash equivalents	**$ 1,390**

20. Commitments and contingencies

(i) The Company is, from time to time, involved in claims, legal proceedings and complaints arising in the normal course of business and provisions for such claims have been recorded where appropriate. The Company does not believe the final determination of these claims will have an adverse material effect on its consolidated financial statements.

(ii) As at December 31, 2019, the Company had outstanding letters of guarantee in the amount of $180 (2018 - $68).

(iii) On November 28, 2019, the Company entered into a lease agreement related to a facility located at 200 Edgeware Road, Brampton, Ontario for a 7-year lease term commencing on July 1, 2020. Total lease commitments over 7 years is $15,450. In relation to the same property, on November 28, 2019, the Company entered into a construction agreement with Orlando Corporation Inc. (Contractor) and Stevron Holdings Limited (Landlord) committing to construction work of $2,484, of which the landlord has provided $1,200 in cash allowances, received in January 2020. Construction is expected to be completed by June 2020.

(iv) The Company has made commitments for Fleet equipment, with the terms to begin upon delivery of the equipment in 2020. Commitments range from 60 to 84 months and total $2,987.

21. Related parties

During the year, the Company entered into transactions with related parties that were incurred in the normal course of business. The Company's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions. All outstanding balances with these related parties are to be settled in cash within two months of the reporting date. None of the balances is secured. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

The Company is indirectly controlled by Michael Andlauer, the President and Chief Executive Officer and CODM. Included in these consolidated financial statements are the following transactions and balances with companies related either directly or indirectly to Mr. Andlauer.

Andlauer Management Group Inc. ("AMG") provides key management personnel to the Company for which it receives management fees. The Company recovers certain facilities lease costs from AMG. The Company also provides certain shared services (primarily accounting services) to AMG.

Andlauer Properties and Leasing Inc. ("APLI") is a subsidiary of AMG and leases certain facilities and logistics and transportation equipment to the Company. The Company also leases facilities and logistics and transportation equipment from arm's length providers. The Company provides certain shared services (primarily accounting services) to APLI.

9143-5271 ("9143") Quebec Inc. is a subsidiary of AMG and leases a facility in Quebec to the Company. The Company provides certain shared services (primarily accounting services) to 9143.

Ready Staffing Solutions Inc., a company owned by Mr. Andlauer's spouse, provides the Company with temporary agency employee services – providing hourly dock labour for handling operations, principally in the GTA. The Company also purchases temporary agency employee services from arm's length providers.

21. Related parties (continued)

1708998 Ontario Limited (Medical Courier Services) ("MCS") is a subsidiary owned 80% by AMG and provides transportation services to the Company, providing extended reach for shipments where the Company does not have facilities or equipment. The Company also provides certain shared services (primarily accounting services) to MCS.

McAllister Courier Inc. is a subsidiary owned 50% by AMG and provides transportation services to the Company, providing extended reach for shipments where the Company does not have facilities or equipment.

TDS Logistics Ltd. ("TDS") is a subsidiary owned 50% by AMG and provides transportation services to the Company, providing additional capacity where the Company can sub-contract deliveries to take advantage of coincidences of delivery. Similarly, the Company provides transportation services to TDS. The Company also provides certain shared services (primarily accounting services) to TDS and recovers certain lease costs from TDS.

Med Express is a subsidiary owned 50% by AMG and provides transportation services to the Company, providing extended reach for shipments where the Company does not have facilities or equipment.

D.C. Racking and Maintenance Inc. is a subsidiary of Bourbon Street Enterprises Inc. ("BSE"), a related party representing the non-controlling interest in Associated Logistics Solutions Inc. It provides maintenance and repairs for the Company's Healthcare Logistics segment.

Logiserv Inc. provides the Company with warehouse racking. Logiserv is a subsidiary of BSE. The Company also purchases warehouse racking from arm's length providers.

C-GHBS Inc. is a subsidiary of AMG and provides air travel services to the Company.

Bulldog Hockey Inc. is a subsidiary of AMG and provides sports and entertainment services to the Company.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

21. Related parties (continued)

	December 31, 2019	December 31, 2018
Revenue		
Transportation services		
TDS Logistics Ltd.	$ 721	$ 100
1708998 Ontario Limited (Medical Courier Services)	7	4
Facility rent recovery		
TDS Logistics Ltd.	656	139
Andlauer Management Group Inc.	320	-
Shared service recovery		
TDS Logistics Ltd.	252	144
Andlauer Properties and Leasing Inc.	18	18
Andlauer Management Group Inc.	12	12
9143-5271 Quebec Inc.	30	30
1708998 Ontario Limited (Medical Courier Services)	12	12
Equipment rental recovery		
TDS Logistics Ltd.	364	-
Expenses		
Transportation services		
McAllister Courier Inc.	972	1,053
1708998 Ontario Limited (Medical Courier Services)	253	236
TDS Logistics Ltd.	558	-
Contract labour services		
Ready Staffing Solutions Inc.	4,153	4,176
Equipment rent		
Andlauer Properties and Leasing Inc.	1,484	1,046
Shared services		
Andlauer Management Group Inc.	670	696
Facility rent		
Andlauer Properties and Leasing Inc.	605	345
9143-5271 Quebec Inc.	1,149	1,109
Sports and Entertainment services		
Bulldog Hockey Inc.	25	28
Maintenance services		
D.C. Racking and Maintenance Inc. and Logiserv Inc.	46	64
Travel services		
C-GHBS Inc.	329	-
Capital expenditures		
Purchases of logistics and transportation equipment		
Logiserv Inc.	335	177

(In thousands of Canadian dollars, except shares, share price and earnings per share)

21. Related parties (continued)

	December 31, 2019	December 31, 2018
Trade receivables due from related parties		
Andlauer Management Group Inc.	$ 60	$ 7
TDS Logistics Ltd.	380	263
Andlauer Properties and Leasing Inc.	-	113
9143-5271 Quebec Inc.	1	-
Total trade receivables	$ 441	$ 383
Due from related parties		
Andlauer Management Group Inc.	53	52,603
C-GHBS Inc.	-	1,405
Andlauer Properties and Leasing Inc.	186	685
Habdog Investments Inc.	-	236
TDS Logistics Ltd.	-	28
	239	54,957
Total due from related parties	**$ 680**	**$ 55,340**

Trade payables due to related parties		
Ready Staffing Solutions Inc.	$ 397	$ 330
1708998 Ontario Limited (Medical Courier Services)	-	24
McAllister Courier Inc.	71	92
TDS Logistics Ltd.	100	-
Andlauer Properties and Leasing Inc.	1,196	32
Med Express	1	-
D.C. Racking and Maintenance Inc.	1	1
Logiserv Inc.	69	70
Bulldog Hockey Inc.	28	28
C-GHBS Inc.	153	-
Total trade payables	2,016	577
Due to related parties		
M. Andlauer	161	20
TDS Logistics Ltd.	174	-
Andlauer Management Group Inc.	-	300
	335	320
Total due to related parties	**$ 2,351**	**$ 897**

The Company paid management fees of $346 in 2019 (2018 – $576) to Andlauer Management Group Inc. in connection with compensation for key management personnel.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

22. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends and distributions to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Company monitors capital using a net leverage ratio, calculated as net debt divided by earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Company seeks to keep its net leverage ratio below 3.0 in the ordinary course of business.

	December 31, 2019	December 31, 2018
Total liabilities	$ 151,490	$ 106,849
Less: cash and cash equivalents	(18,712)	(53,657)
Net debt	132,778	53,192
Net income	30,345	28,185
Interest income	(1,004)	(879)
Interest expense	3,503	3,048
Income tax expense	12,004	10,531
Depreciation and amortization	25,706	23,491
EBITDA	70,554	64,376
Net leverage ratio	1.88	0.83

23. Subsequent event

On March 12, 2020, the Board of Directors declared a dividend of $0.06087 per subordinate voting and multiple voting share, payable on April 15, 2020 to shareholders of record as of March 31, 2020.