



Consolidated Financial Statements of

**ANDLAUER HEALTHCARE  
GROUP INC.**

For the years ended December 31, 2023 and 2022



**KPMG LLP**

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## **INDEPENDENT AUDITOR'S 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, 2023 and December 31, 2022
- the consolidated statements of income and comprehensive income for the years ended December 31, 2023 and December 31, 2022
- the consolidated statements of changes in equity for the years ended December 31, 2023 and December 31, 2022
- the consolidated statements of cash flow for the years ended December 31, 2023 and December 31, 2022
- and notes to the consolidated financial statements, including a summary of material 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, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

### ***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.

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.



## ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

### ***Evaluation of revenue recognition in the Healthcare Logistics Segment***

#### ***Description of the matter***

We draw attention to Notes 3(b) and 4 to the financial statements. The total revenues for the Healthcare Logistics segment is \$176 million. In some cases, the Entity's contracts with customers have multiple performance obligations that require the Entity to allocate the contractual transaction price to the identified distinct performance obligations. The allocation of the transaction price requires management to determine the stand-alone selling price ("SSP") for each distinct performance obligation.

#### ***Why the matter is a key audit matter***

We identified the evaluation of revenue recognition for contracts that contain multiple performance obligations in the Healthcare Logistics segment as a key audit matter. This matter represented an area of higher risk of material misstatement due to the complexities of the various terms included in each contract. Significant auditor judgment was required to identify the stand-alone selling price for each distinct performance obligation and the timing of revenue recognition.

#### ***How the matter was addressed in the audit***

The primary procedures we performed to address this key audit matter included the following:

- Examined a selection of revenue transactions and compared the amount of revenue recognized to the source documentation, including invoice, proof of delivery (when applicable) and subsequent cash receipt.
- For samples selected related to contracts that include more than one performance obligation, we obtained the Entity's master contract summary and tested the SSP used to invoice the customer to evaluate the revenue recognized. We also performed testing over the master contract summary by examining the customer contracts to assess the appropriateness of the SSP used to bill customers for specific performance obligations.

#### ***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.

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

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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that serves as a flourish or underline.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

March 5, 2024

# Andlauer Healthcare Group Inc.

## Consolidated Balance Sheets

As at December 31, 2023 and 2022

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

		December 31, 2023	December 31, 2022
<b>Assets</b>	<b>Note</b>		
Current assets			
Cash and cash equivalents		\$ 59,740	\$ 65,855
Trade and other receivables	6	102,206	98,423
Income taxes receivable		1,230	-
Inventories	7	5,329	3,326
Prepaid expenses and other		6,605	4,416
Due from related parties	21	1	56
		<u>175,111</u>	<u>172,076</u>
Non-current assets			
Long-term deposits and other		911	997
Property, plant and equipment	8	166,200	175,880
Goodwill and intangible assets	9	334,919	357,698
Deferred income taxes	17	5,285	5,809
		<u>547,315</u>	<u>712,167</u>
<b>Total Assets</b>		<b><u>\$ 682,426</u></b>	<b><u>\$ 712,460</u></b>
<b>Liabilities and Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 41,795	\$ 42,918
Current portion of lease liabilities	18	27,697	26,547
Income taxes payable		-	16,313
		<u>69,492</u>	<u>85,778</u>
Long-term liabilities			
Lease liabilities	18	75,384	87,182
Deferred income taxes	17	42,955	48,609
Due to related parties	21	206	342
Term facility	11	24,819	49,557
		<u>143,364</u>	<u>185,690</u>
<b>Total Liabilities</b>		<b><u>212,856</u></b>	<b><u>271,468</u></b>
<b>Equity</b>			
Common share capital	13	718,790	727,835
Contributed surplus	15	6,308	5,806
Accumulated other comprehensive income		14,194	19,642
Merger reserve	2	(488,916)	(488,916)
Retained earnings		219,194	176,625
		<u>469,570</u>	<u>440,992</u>
Commitments and contingencies	20		
<b>Total Liabilities and Equity</b>		<b><u>\$ 682,426</u></b>	<b><u>\$ 712,460</u></b>

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, 2023 and 2022

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

	Note	December 31, 2023	December 31, 2022
<b>Revenue</b>	16	<b>\$ 647,952</b>	<b>\$ 648,423</b>
<b>Operating expenses</b>			
Cost of transportation and services		328,493	322,844
Direct operating expenses		103,829	102,280
Selling, general and administrative expenses		51,428	48,502
Depreciation and amortization		68,149	64,452
		<u>551,899</u>	<u>538,078</u>
<b>Operating income</b>		<b>96,053</b>	<b>110,345</b>
Interest expense	19	(8,207)	(6,858)
Interest income		3,170	599
Other expenses		(409)	(328)
		<u>90,607</u>	<u>103,758</u>
<b>Income before income taxes</b>		<b>90,607</b>	<b>103,758</b>
Current income tax expense	17	28,896	29,528
Deferred income tax recovery	17	(4,429)	(2,045)
		<u>24,467</u>	<u>27,483</u>
<b>Net income</b>		<b>\$ 66,140</b>	<b>\$ 76,275</b>
<b>Net earnings per share</b>			
Basic earnings per share	14	<b>\$ 1.58</b>	<b>\$ 1.82</b>
Diluted earnings per share	14	<b>\$ 1.55</b>	<b>\$ 1.79</b>
<b>Other comprehensive income</b>			
Net income		\$ 66,140	\$ 76,275
Foreign currency translation adjustment		(5,448)	14,743
Other comprehensive income (loss) for the year		(5,448)	14,743
<b>Total comprehensive income for the year</b>		<b>\$ 60,692</b>	<b>\$ 91,018</b>

See accompanying notes to consolidated financial statements.



**Andlauer Healthcare Group Inc.**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**

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

	Number of shares (thousands) (note 13)	Share capital (note 13)	Accumulated other compre- hensive income	Merger reserve (note 2)	Contributed surplus (note 15)	Retained earnings	Total equity
Balance at December 31, 2022	41,914	\$ 727,835	\$ 19,642	\$ (488,916)	\$ 5,806	\$ 176,625	\$ 440,992
Net income and comprehensive loss for the year	-	-	(5,448)	-	-	66,140	60,692
Share-based compensation (note 15)	28	426	-	-	502	-	928
Shares repurchased for cancellation (note 13)	(475)	(9,471)	-	-	-	(9,369)	(18,840)
Dividends (note 13)	-	-	-	-	-	(14,202)	(14,202)
<b>Balance at December 31, 2023</b>	<b>41,467</b>	<b>\$ 718,790</b>	<b>\$ 14,194</b>	<b>\$ (488,916)</b>	<b>\$ 6,308</b>	<b>\$ 219,194</b>	<b>\$ 469,570</b>
Balance at December 31, 2021	41,669	\$ 719,936	\$ 4,899	\$ (488,916)	\$ 4,967	\$ 111,233	\$ 352,119
Net income and comprehensive income for the year	-	-	14,743	-	-	76,275	91,018
Shares issued in connection with business combinations (note 5)	155	7,500	-	-	-	-	7,500
Transaction costs, net of tax (note 5)	-	(63)	-	-	-	-	(63)
Share-based compensation (note 15)	90	462	-	-	839	-	1,301
Dividends (note 13)	-	-	-	-	-	(10,883)	(10,883)
<b>Balance at December 31, 2022</b>	<b>41,914</b>	<b>\$ 727,835</b>	<b>\$ 19,642</b>	<b>\$ (488,916)</b>	<b>\$ 5,806</b>	<b>\$ 176,625</b>	<b>\$ 440,992</b>

See accompanying notes to consolidated financial statements.

**Andlauer Healthcare Group Inc.**  
**Consolidated Statements of Cash Flow**  
**For the years ended December 31, 2023 and 2022**

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

	Note	December 31, 2023	December 31, 2022
<b>Operating activities</b>			
Net income for the year		\$ 66,140	\$ 76,275
Changes not involving cash:			
Depreciation and amortization		68,149	64,452
Amortization of capitalized financing costs	11	262	269
Share-based compensation	15	928	1,301
Deferred income tax recovery	17	(4,429)	(2,045)
Loss (gain) on disposal of property, plant and equipment		308	(48)
		<u>131,358</u>	<u>140,204</u>
Changes in non-cash operating working capital:			
Trade and other receivables		(4,109)	(2,855)
Inventories		(2,011)	(317)
Accounts payable and accrued liabilities		(1,011)	1,485
Income taxes		(17,662)	(1,716)
Net change in other operating working capital balances		(2,146)	327
<b>Cash flows from operating activities</b>		<b><u>104,419</u></b>	<b><u>137,128</u></b>
<b>Financing activities</b>			
Dividends	13	(14,202)	(10,883)
Principal repayments on lease liabilities	18	(27,952)	(29,034)
Net change in related party balances		(188)	(607)
Proceeds from revolving credit facility		-	12,000
Repayment of revolving credit facility		-	(23,000)
Repayment of term facility	11	(25,000)	-
Shares repurchased for cancellation	13	(18,840)	-
Transaction costs recorded in share capital	13	-	(63)
<b>Cash flows used in financing activities</b>		<b><u>(86,182)</u></b>	<b><u>(51,587)</u></b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(23,523)	(25,748)
Proceeds on disposal of property, plant and equipment		1,744	1,721
Purchase of intangible assets	9	(2,069)	(2,212)
Business combinations, net of cash acquired	5	-	(19,318)
<b>Cash flows used in investing activities</b>		<b><u>(23,848)</u></b>	<b><u>(45,557)</u></b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(5,611)</b>	<b>39,984</b>
Effect of foreign currency translation on cash and cash equivalents		(504)	881
<b>Cash and cash equivalents, beginning of year</b>		<b><u>65,855</u></b>	<b><u>24,990</u></b>
<b>Cash and cash equivalents, end of year</b>		<b><u>\$ 59,740</u></b>	<b><u>\$ 65,855</u></b>

See accompanying notes to consolidated financial statements.

# **Andlauer Healthcare Group Inc.**

## **Notes to Consolidated Financial Statements**

### **For the years ended December 31, 2023 and 2022**

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

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#### **1. Reporting entity**

Andlauer Healthcare Group Inc. (“AHG”, or the “Company”) was incorporated under the Ontario Business Corporations Act with its head office located at 100 Vaughan Valley Blvd. 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 and the United States.

In addition to the shares issued to the public, Andlauer Management Group Inc. (“AMG”) holds 21.84 million multiple voting shares and 10,200 subordinate voting shares of AHG, representing approximately 52.7% of the issued and outstanding shares and 81.7% of the voting power attached to all of the shares. AMG is owned and controlled by Michael Andlauer, Chief Executive Officer, Chief Operating Decision Maker (“CODM”), 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 except for share based compensation and business combinations, which were recorded at fair value. Material 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 5, 2024.

##### **Common control transaction**

These consolidated financial statements comprise the results of AHG and Associated Logistics Solutions Inc., Credo Canada Systems Inc., Andlauer Specialized Transportation Inc. (formerly 2186940 Ontario Inc.), Skelton Canada Inc., and their respective subsidiaries. Prior to the Company’s initial public offering (“IPO”) on December 11, 2019, certain of AHG’s subsidiaries (Associated Logistics Solutions Inc., Credo Canada Systems Inc., Andlauer Specialized Transportation Inc. (formerly 2186940 Ontario Inc.) and their respective subsidiaries at that time – collectively, the “AHG Entities”) were owned 100% by AMG. Pursuant to a share purchase agreement between AHG and AMG, and in connection with a corporate reorganization immediately prior to the IPO, AHG acquired a 100% ownership interest in the AHG Entities based on the value of consideration of \$577,625. Total net parent investment immediately prior to the IPO 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 parties under common control of AMG at the time of the acquisition. 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.

**Andlauer Healthcare Group Inc.**  
**Notes to Consolidated Financial Statements**  
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(In thousands of Canadian dollars, except shares, share price and earnings per share)

**2. Basis of presentation (continued)**

c) Basis of consolidation

(i) Business combinations

The Company accounts for acquired businesses using the acquisition method of accounting by recording assets acquired and liabilities assumed at their respective fair values. 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.

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
Accuristix Inc.	Canada
Accuristix	Ontario
Andlauer Healthcare Group (USA), Inc.	Delaware
Andlauer Healthcare Logistics Inc.	Ontario
Andlauer Specialized Transportation Inc. (formerly 2186940 Ontario Inc.)	Ontario
Associated Logistics Solutions Inc.	Ontario
ATS Andlauer Transportation Services GP Inc.	Canada
ATS Andlauer Transportation Services LP	Manitoba
ATS Healthcare Inc. (formerly 2721275 Ontario Inc.)	Ontario
Concord Supply Chain Solutions Inc. <sup>1</sup>	Delaware
Credo Systems Canada Inc.	Ontario
Logistics Support Unit (LSU) Inc. <sup>2</sup>	Canada
McAllister Courier Inc.	Ontario
MEDDS Canada – A Medical Delivery Service Corporation <sup>1</sup>	Canada
MEDDS Winnipeg – A Medical Delivery Service Corporation	Manitoba
Nova Pack Ltd.	Ontario
Skelton Canada Inc.	Ontario
Skelton Truck Lines, Inc.	Delaware
Skelton U.S.A. Inc.	Ontario
T.F. Boyle Transportation, Inc.	Massachusetts
TDS Logistics Ltd.	Ontario

<sup>1</sup> Entity has been dormant throughout the entire reporting period.

<sup>2</sup> Acquired on March 1, 2022. Refer to note 5.

**Andlauer Healthcare Group Inc.**  
**Notes to Consolidated Financial Statements**  
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(In thousands of Canadian dollars, except shares, share price and earnings per share)

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**2. Basis of presentation (continued)**

c) Basis of consolidation (continued)

(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. The functional currency of Canadian operations is the Canadian dollar and the functional currency of U.S. operations is the U.S. dollar.

e) Judgments and estimates

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated financial statements, significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2022. Information about significant 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 5 – Establishing the fair value of assets and liabilities, intangible assets and goodwill related to business combinations;
- Note 6 – Determining the expected credit losses (“ECLs”) 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. Material 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.

**Andlauer Healthcare Group Inc.**  
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(In thousands of Canadian dollars, except shares, share price and earnings per share)

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**3. Material accounting policies (continued)**

**Foreign currency translation (continued)**

In preparing the Company's consolidated financial statements, the financial statements of each foreign entity are translated into Canadian dollars. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on business combinations, are translated to Canadian dollars at exchange rates as at the balance sheet date. Revenues and expenses of foreign operations are translated to Canadian dollars at exchange rates that approximate those on the date of the underlying transaction. Foreign exchange differences are recognized in other comprehensive income or loss and accumulated in equity in accumulated other comprehensive income or loss.

If the Company or any of its subsidiaries disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated foreign currency translation gains or losses related to the foreign operation are recognized in net 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 of products. These services are typically priced at their stand-alone selling prices and are recognized over time as the customer simultaneously receives and consumes the benefits of the Company's services. The Company acts as an agent on behalf of its customers for a limited number of contracts in which certain products are purchased and sold on a pass-through basis. In such cases, net billings are included in revenue.

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**3. Material accounting policies (continued)**

**Revenue (continued)**

b) Healthcare Logistics (continued)

Contracts with customers that contain multiple performance obligations require the Company to allocate the contractual transaction price to the identified distinct performance obligations. The allocation of the transaction price requires management to determine the standalone selling price for each distinct performance obligation. 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	Depreciation 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	Primarily 20-30% declining balance, except for storage vaults which are amortized straight line over 40 years, and certain transportation equipment which is amortized straight line over periods of 3-7 years

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

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**3. Material 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, brands, and internally generated software.

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

For internally generated software, expenditure on research activities is recognized in income 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 income or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

*Amortization*

Goodwill is not amortized.

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

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

**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.



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### **3. Material accounting policies (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.

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.

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**3. Material accounting policies (continued)**

**Leases (continued)**

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

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 income 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', which is combined with, and nets against, other expenses on the Company's consolidated statements of income and comprehensive income.

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**3. Material 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 or loss.

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*

Trade and other receivables 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, trade and other receivables, 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.

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**3. Material 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 income or loss. Any gain or loss on derecognition is recognized in income 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 trade receivables, the Company applies a simplified approach in calculating ECLs. Accordingly, 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 a trade 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 income 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 income or loss. Any gain or loss on derecognition is also recognized in income or loss.

*Transaction costs*

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

- Financial assets or financial liabilities at fair value through profit and loss – expensed to net income or loss 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.

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**3. Material 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.

*Vaccine inventory temporarily held for principals*

The Company offers a consolidation service and acts as an agent on behalf of certain vaccine manufacturer clients (“principals”) where end customers (primarily travel and vaccine clinics) place a single order for vaccines sold by multiple manufacturers. The Company temporarily holds, but does not obtain control of, a limited amount of vaccine inventory for resale at prices and other terms of sale specified by principals participating in the consolidated vaccine distribution program. Gross billings in connection with the sale of vaccines are entirely offset by the cost of purchases of vaccines resulting in nil net revenue for the Company related to the sale of such vaccines.

**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.

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**3. Material accounting policies (continued)**

**Share-based compensation**

The Company has an omnibus equity incentive plan and records all share-based compensation, including grants of restricted share units and 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 contributed surplus are credited to share capital. If a cashless exercise is undertaken, the employee or director will surrender a number of options in order to fund the cashless exercise and a further amount, representing the difference between the market price and the exercise price of the shares may be adjusted to share capital unless the Company chooses to sell the shares in the amount required to fund the cashless exercise. 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.

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**4. Segment reporting**

The Company is organized into operating segments, which aggregate into two 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 that follow.

The Company evaluates performance based on the various financial measures of its 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, 2023 and 2022 and for the years then ended:

	Specialized Transportation	Healthcare Logistics	Corporate	Eliminations	Total
<b>As at December 31, 2023 and for the year then ended</b>					
Revenue	\$ 528,590	\$ 175,929	\$ 7,136	\$ (63,703)	\$ 647,952
Segment income before tax	67,061	19,308	4,238	-	90,607
Interest income	1,343	796	6,643	(5,612)	3,170
Interest expense	(10,831)	(1,915)	(1,071)	5,610	(8,207)
Depreciation and amortization	(52,867)	(15,282)	-	-	(68,149)
Segment net income	48,993	14,114	3,033	-	66,140
Segment total assets	526,282	174,107	680,970	(698,933)	682,426
Additions of ROU assets	17,224	263	-	-	17,487
Capital expenditures	19,012	4,511	-	-	23,523
Segment total liabilities	164,617	73,343	6,320	(31,424)	212,856
<b>As at December 31, 2022 and for the year then ended</b>					
Revenue	\$ 523,515	\$ 176,865	\$ 5,225	\$ (57,182)	\$ 648,423
Segment income before tax	81,352	22,247	159	-	103,758
Interest income	(2,887)	(39)	3,525	-	599
Interest expense	(3,759)	(2,085)	(1,014)	-	(6,858)
Depreciation and amortization	(50,148)	(14,304)	-	-	(64,452)
Segment net income	60,102	16,265	(92)	-	76,275
Segment total assets	554,903	175,528	734,498	(752,469)	712,460
Additions of ROU assets	11,810	228	-	-	12,038
Additions of property, plant and equipment through business combinations <sup>1</sup>	-	5,159	-	-	5,159
Capital expenditures	23,179	2,569	-	-	25,748
Segment total liabilities	236,796	88,868	30,766	(84,962)	271,468

<sup>1</sup> Includes \$3,798 of ROU assets acquired through a business combination.

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**4. Segment Reporting (continued)**

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. The Company also charges fees for services and costs incurred from its corporate office to subsidiaries. Intersegment revenues and expenses and related intersegment payables and receivables are eliminated in the Company's consolidated results.

The Company does not have any customers that individually represent more than 10% of revenue for the years ended December 31, 2023 and 2022.

**5. Business combinations**

On March 1, 2022, the Company acquired all of the issued and outstanding shares of Logistics Support Unit (LSU) Inc. ("LSU"), a leading third-party logistics provider offering specialty pharmacy, warehousing, distribution and order management services throughout Canada to national and international companies, as well as government clients in the pharmaceutical, medical and biotechnology sectors, for \$26,747, the estimated fair value of the business acquired. The acquisition was financed through a combination of cash on hand, drawing \$12,000 on the credit facilities and by issuing 154,639 subordinate voting shares totaling \$7,500 to the shareholder of LSU.

For the period from acquisition on March 1, 2022 to December 31, 2022, LSU contributed revenue of \$21,275 and net income before amortization of intangible assets acquired of \$3,390 (\$2,065 net of intangible amortization) to the Company's financial results. If the Company had acquired LSU on January 1, 2022, management estimates that consolidated revenue would have been approximately \$651,800, and consolidated net income would have been approximately \$78,600. In determining these amounts, management has assumed that the fair value adjustments that arose on the dates of acquisition would have been the same had the acquisition occurred on January 1, 2022.

During the year ended December 31, 2022, transaction costs of \$345 were expensed in selling, general and administrative expenses in the consolidated statements of income and comprehensive income and \$63, net of deferred taxes, was charged to share capital in relation to the acquisition.

The following table summarizes the final acquisition date fair value of identifiable net assets and goodwill acquired:

Identifiable assets acquired and liabilities assumed	LSU (March 1, 2022)
Cash and cash equivalents	\$ (71)
Trade and other receivables	4,636
Inventories	663
Prepaid expenses and other	140
Property, plant and equipment, including ROU assets	5,159
Intangible assets	15,900
Accounts payable and accrued liabilities	(1,778)
Income taxes payable	(4,160)
Lease liabilities	(3,398)
Deferred tax liabilities	(2,496)
Total identifiable net assets	14,595
Goodwill	12,152
<b>Final purchase consideration</b>	<b>\$ 26,747</b>



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**5. Business combinations (continued)**

Trade and other receivables comprise gross amounts due of \$4,636, all of which were expected to be collectible at the acquisition date.

When measuring the fair value of property, plant and equipment, the Company considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

The Company attributes value to the customer relationships maintained by LSU, and to its brand. For the year ended December 31, 2022, the Company recorded intangible assets of \$12,700 in connection with customer relationships and \$3,200 in connection with the brand of LSU. The determination of the acquisition-date fair value of the customer relationships required the Company to make significant estimates and assumptions regarding future revenue growth from existing customers, future cost of sales and operating expenses, forecasted attrition rate, contributory asset charges and discount rate. The determination of the acquisition-date fair value of brands required the Company to make significant estimates and assumptions regarding future revenue growth applicable to brands, royalty rate, long-term growth rate used to determine terminal value and discount rate. The customer relationships and brand are definite life intangible assets each of which will be amortized over 10 years.

The goodwill is principally attributable to the premium of established business operations with a strong reputation in healthcare logistics, and the synergies expected to be achieved from integrating LSU into the Company's existing business. Goodwill arising from the acquisition of LSU is allocated to the Healthcare Logistics segment.

Of the goodwill acquired through the business combination, \$4,850 is deductible for tax purposes.

**6. Trade and other receivables**

	December 31, 2023	December 31, 2022
Trade receivables	\$ 102,799	\$ 99,232
Trade receivables due from related parties (note 21)	54	47
Impairment loss	(647)	(856)
<b>Trade and other receivables</b>	<b>\$ 102,206</b>	<b>\$ 98,423</b>

Estimates are used in determining the impairment loss related to trade receivables. These estimates are based on management's best assessment of the ECL of the related receivable balance, which involves estimates around the cash flows that are expected to be received. There is no impairment loss recorded against trade receivables due from related parties.

**7. Inventories**

Inventories consist of:

	December 31, 2023	December 31, 2022
Packaging inventory	\$ 389	\$ 624
Thermal packaging products and parts	1,241	909
Transportation equipment parts and supplies	1,023	859
Vaccines temporarily held for principals	2,676	934
<b>Inventories</b>	<b>\$ 5,329</b>	<b>\$ 3,326</b>

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**7. Inventories (continued)**

During the year ended December 31, 2023, the Company purchased a total of \$33,830 in inventory (2022 - \$22,660) and \$31,821 was recognized as an expense (2022 - \$22,182) during the year and included in direct operating expenses.

**8. Property, plant and equipment**

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

	Facilities <sup>1</sup>	Furniture and fixtures	Leasehold improvements	Logistics and transportation equipment <sup>1</sup>	Total
<b>Cost</b>					
Balance at December 31, 2021	\$ 155,855	\$ 8,664	\$ 21,433	\$ 154,314	\$ 340,266
Additions	2,744	511	1,518	33,013	37,786
Additions through business combinations (note 5)	2,756	-	672	1,731	5,159
Dispositions	-	(7)	(29)	(2,631)	(2,667)
Foreign currency adjustments	391	18	101	1,695	2,205
Balance at December 31, 2022	161,746	9,186	23,695	188,122	382,749
Additions	2,477	344	3,408	34,781	41,010
Dispositions	-	-	-	(4,284)	(4,284)
Foreign currency adjustments	(144)	(8)	(59)	(796)	(1,007)
<b>Balance at December 31, 2023</b>	<b>\$ 164,079</b>	<b>\$ 9,522</b>	<b>\$ 27,044</b>	<b>\$ 217,823</b>	<b>\$ 418,468</b>
<b>Accumulated depreciation</b>					
Balance at December 31, 2021	\$ 66,512	\$ 6,769	\$ 11,357	\$ 77,516	\$ 162,154
Depreciation for the year	17,492	411	2,437	25,013	45,353
Dispositions	-	(3)	-	(991)	(994)
Foreign currency adjustments	42	1	6	307	356
Balance at December 31, 2022	84,046	7,178	\$ 13,800	101,845	206,869
Depreciation for the year	17,934	416	2,625	27,009	47,984
Dispositions	-	-	-	(2,232)	(2,232)
Foreign currency adjustments	(40)	(1)	(8)	(304)	(353)
<b>Balance at December 31, 2023</b>	<b>\$ 101,940</b>	<b>\$ 7,593</b>	<b>\$ 16,417</b>	<b>\$ 126,318</b>	<b>\$ 252,268</b>
<b>Net carrying amounts</b>					
<b>At December 31, 2022</b>	<b>\$ 77,700</b>	<b>\$ 2,008</b>	<b>\$ 9,895</b>	<b>\$ 86,277</b>	<b>\$ 175,880</b>
<b>At December 31, 2023</b>	<b>\$ 62,139</b>	<b>\$ 1,929</b>	<b>\$ 10,627</b>	<b>\$ 91,505</b>	<b>\$ 166,200</b>

<sup>1</sup> Facilities and certain logistics and transportation equipment assets are ROU assets, capitalized in accordance with IFRS 16. Refer to note 18.

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**8. Property, plant and equipment (continued)**

The Company has applied judgement in estimating the useful life of property, plant and equipment and to determine the lease terms for ROU lease contracts that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognized. In applying such judgement, management relies on historical experience and other factors, including the current economic environment, which management believes is reasonable under the circumstances.

**9. Goodwill and intangible assets**

	Goodwill	Customer relationships	Brand	Software	Total
<b>Cost</b>					
Balance at December 31, 2021	\$ 176,737	\$ 147,254	\$ 37,950	\$ 7,668	\$ 369,609
Additions	-	-	-	2,212	2,212
Additions through business combinations (note 5)	9,836	12,700	3,200	-	25,736
Foreign currency adjustments	6,335	6,115	1,827	-	14,277
Balance at December 31, 2022	192,908	166,069	42,977	9,880	411,834
Additions	-	-	-	2,069	2,069
Foreign currency adjustments	(2,348)	(2,245)	(671)	(8)	(5,272)
<b>Balance at December 31, 2023</b>	<b>\$ 190,560</b>	<b>\$ 163,824</b>	<b>\$ 42,306</b>	<b>\$ 11,941</b>	<b>\$ 408,631</b>
<b>Accumulated amortization</b>					
Balance at December 31, 2021	\$ -	\$ 28,193	\$ 1,376	\$ 4,840	\$ 34,409
Amortization for the year	-	14,495	4,127	477	19,099
Foreign currency adjustments	-	484	144	-	628
Balance at December 31, 2022	-	43,172	5,647	5,317	54,136
Amortization for the year	-	15,056	4,284	825	20,165
Foreign currency adjustments	-	(453)	(136)	-	(589)
<b>Balance at December 31, 2023</b>	<b>\$ -</b>	<b>\$ 57,775</b>	<b>\$ 9,795</b>	<b>\$ 6,142</b>	<b>\$ 73,712</b>
<b>Net carrying amounts</b>					
<b>At December 31, 2022</b>	<b>\$ 192,908</b>	<b>\$ 122,897</b>	<b>\$ 37,330</b>	<b>\$ 4,563</b>	<b>\$ 357,698</b>
<b>At December 31, 2023</b>	<b>\$ 190,560</b>	<b>\$ 106,049</b>	<b>\$ 32,511</b>	<b>\$ 5,799</b>	<b>\$ 334,919</b>

The Company performs annual goodwill impairment testing. The Company assesses goodwill at the operating segment level, which is the lowest level within the Company at which goodwill is monitored for internal management purposes. The table below sets out goodwill allocated to operating segments:

Operating segment/reportable segment	December 31, 2023	December 31, 2022
Healthcare Logistics	\$ 31,872	\$ 31,872
Specialized Transportation	158,688	161,036
<b>Total goodwill</b>	<b>\$ 190,560</b>	<b>\$ 192,908</b>

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**9. Goodwill and intangible assets (continued)**

The results of the annual impairment testing determined that the recoverable amounts of each of the Healthcare Logistics operating segment and the Specialized Transportation segment exceeded their respective carrying amounts. The recoverable amount of the Company's operating segments was determined using the value in use methodology, which involves discounting estimated future cash flows. Management believes that discounting estimated future cash flows results in a reasonable valuation for each segment. In assessing value in use, the estimated future cash flows have been discounted to their present values using pre-tax discount rates of 9.3% (2022 – 8.6%) for the Healthcare Logistics segment and 10.5% (2022 – 10.3%) for the Specialized Transportation segment, which approximate the Company's weighted average cost of capital for each segment; and expected growth rates for the healthcare sector of between 3.0% and 5.0%. Management has determined that no impairment has arisen in connection with the CGUs that gave rise to goodwill through the business combinations. Accordingly, no impairment loss has been recognized in each of the years ended December 31, 2023 and 2022.

During the year ended December 31, 2022, the Company acquired LSU in which its customer relationships and its brand comprised significant value to AHG. In aggregate, \$12,700 was attributed to the customer relationships and \$3,200 was attributed to the brand of LSU. Management considers these identifiable intangible assets to have finite useful lives which are amortized on a straight-line basis over ten years (note 5).

The Company performs an assessment for indicators of impairment for customer relationships, brands 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.

**10. Accounts payable and accrued liabilities**

	December 31, 2023	December 31, 2022
Trade payables and accrued liabilities	\$ 40,379	\$ 41,194
Trade payables due to related parties (note 21)	450	587
Deferred revenue (note 16)	966	1,137
<b>Accounts payable and accrued liabilities</b>	<b>\$ 41,795</b>	<b>\$ 42,918</b>

**11. Credit facilities**

	December 31, 2023	December 31, 2022
Term facility	25,000	50,000
	25,000	50,000
Less: capitalized financing costs	(181)	(443)
<b>Credit facilities</b>	<b>\$ 24,819</b>	<b>\$ 49,557</b>

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**11. Credit facilities (continued)**

Recorded in the consolidated balance sheets as follows:

	December 31, 2023	December 31, 2022
Revolving credit facility	\$ -	\$ -
Term facility	24,819	49,557
<b>Credit facilities</b>	<b>\$ 24,819</b>	<b>\$ 49,557</b>

The movement in credit facilities from December 31, 2023 is as follows:

	Credit Facilities
Balance at December 31, 2022	\$ 49,557
<b>Changes from financing cash flows</b>	
Repayment of term facility	(25,000)
	24,557
<b>Non-cash movements</b>	
Amortization of capitalized financing costs	262
<b>Balance at December 31, 2023</b>	<b>\$ 24,819</b>

The Company is party to credit facilities with a syndicate of lenders. The credit facilities comprise a revolving credit facility in the aggregate principal amount of up to \$100,000 and a term facility in the aggregate principal amount of up to \$50,000. The credit facilities will mature and be due and payable on March 1, 2025. There is no repayment schedule for either the revolving credit facility or the term facility, except at maturity; however, the Company classifies the revolving credit facility in current liabilities because of its intention to reduce drawn amounts with cash flow from operations within twelve months. Financing costs of \$621, which apply to the credit facilities in aggregate, were capitalized in the term facility.

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, and letters of credit, in each case, plus the applicable margin in effect from time to time. At December 31, 2023, the credit facilities comprise bankers' acceptances drawn at an interest rate of 6.9% (December 31, 2022 – 5.9%).

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, 2023 and December 31, 2022, the Company was in compliance with all of its covenants under the credit facilities.

Amounts recognized in the consolidated statements of income and comprehensive income in connection with interest expense on the credit facilities for the year ended December 31, 2023 was \$2,977 (2022 – \$2,001).

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**12. Financial instruments and financial risk management**

**Accounting classifications and fair values**

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, long-term deposits and other, accounts payable and accrued liabilities and its credit facilities (refer to note 11). The Company believes that the carrying amount of each of these items is a reasonable approximation of fair value given the short-term nature of the financial instruments.

As the credit facilities bear interest at a floating rate subject to fluctuations in the bank prime rate the carrying value of the debt approximates 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, trade and other receivables and long-term deposits. The Company does not typically obtain collateral or other security to support the trade and other receivables 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, trade and other receivables and long-term deposits approximate the amount recorded on the consolidated balance sheets.

Trade and other receivables aging is set out below:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current (not past due)	\$ 64,975	\$ 70,547
0-30 days past due	23,394	20,218
31-60 days past due	5,663	3,039
More than 61 days past due	3,466	1,008
Gross	97,498	94,812
Unbilled revenue	5,355	4,467
Impairment loss (note 6)	(647)	(856)
<b>Trade and other receivables, net</b>	<b>\$ 102,206</b>	<b>\$ 98,423</b>

**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 trade and other receivables 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.

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**12. Financial instruments and financial risk management (continued)**

**Liquidity risk (continued)**

As of December 31, 2023, \$nil (2022 - \$nil) has been drawn on the \$100,000 revolving credit facility, and \$25,000 (2022 - \$50,000) has been drawn on the \$50,000 term facility. There is no repayment schedule for the term facility except at maturity. The credit facilities are repayable in full on March 1, 2025.

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 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 and letters of credit, in each case, plus the applicable margin in effect from time to time. At December 31, 2023, the credit facilities comprises bankers' acceptances drawn at an interest rate of 6.9% (2022 – 5.9%).

During the year, interest rates have increased as the Governing Council of the Bank of Canada continues to target 2-3% inflation. However, there has been no significant impact on the Company's financial condition or results of operations as a result of such increases in interest rates. Increased interest rates have also increased the Company's interest income earned on cash balances during the year.

**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 uses derivative instruments to reduce its exposure to foreign currency risk on an exceptional basis. During the years ended December 31, 2023 and 2022, no derivative instruments were used by the Company.

Excluding its foreign subsidiaries, the Company has the following US dollar foreign currency denominated balances at December 31, 2023 and 2022:

<b>Currency risk</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash	\$ 12,595	\$ 16,409
Trade and other receivables	14,625	15,489
Accounts payable and accrued liabilities	4,679	4,542

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**13. Share capital**

The Company is authorized to issue an unlimited number of subordinate voting common shares, an unlimited number of multiple voting common 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.

On December 12, 2022 the Company's parent, AMG, sold 1.76 million multiple voting shares (which converted to subordinate voting shares at the time of the sale by AMG), representing approximately 9.64% of the issued and outstanding subordinate voting shares, pursuant to a number of private agreements at a price of \$49.25 per subordinate voting share for an aggregate purchase price of \$86,680. There were no transaction costs incurred in connection with these private agreements.

Transaction costs of \$63, net of deferred taxes, have been offset against subordinate voting shares in connection with the acquisition made during the year ended December 31, 2022 (note 5).

As of December 31, 2023, all of the multiple voting shares and 10,200 subordinate voting shares are owned by AMG. The following table summarizes the number of common shares issued:

	<u>Number of common shares (in thousands)</u>			<u>Share capital (in thousands of dollars)</u>		
	<u>Multiple voting common shares</u>	<u>Subordinate voting common shares</u>	<u>Total common shares</u>	<u>Multiple voting common shares</u>	<u>Subordinate voting common shares</u>	<u>Total share capital</u>
Balance at December 31, 2022	21,840	20,074	41,914	\$ 327,600	\$ 400,235	\$ 727,835
Shares issued in connection with the settlement of DSUs (note 15)	-	8	8	-	314	314
Shares issued in connection with the exercise of options (note 15)	-	20	20	-	112	112
Shares repurchased for cancellation in connection with the Company's normal course issuer bid	-	(475)	(475)	-	(9,471)	(9,471)
<b>Balance at December 31, 2023</b>	<b>21,840</b>	<b>19,627</b>	<b>41,467</b>	<b>\$ 327,600</b>	<b>\$ 391,190</b>	<b>\$ 718,790</b>
Balance at December 31, 2021	23,600	18,069	41,669	\$ 354,000	\$ 365,936	\$ 719,936
Shares issued in connection with business combination (note 5)	-	155	155	-	7,500	7,500
Transaction costs, net of tax	-	-	-	-	(63)	(63)
Shares issued in connection with the exercise of options	-	90	90	-	462	462
Shares converted in connection with secondary sale by AMG	(1,760)	1,760	-	(26,400)	26,400	-
<b>Balance at December 31, 2022</b>	<b>21,840</b>	<b>20,074</b>	<b>41,914</b>	<b>\$ 327,600</b>	<b>\$ 400,235</b>	<b>\$ 727,835</b>



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**13. Share capital (continued)**

**Normal course issuer bid and automatic securities purchase plan**

From time to time, the Company will announce a normal course issuer bid (“NCIB”) approved by the Board and the TSX to repurchase and cancel a specified number of subordinate voting shares. All repurchases are made through the facilities of the Toronto Stock Exchange at market prices. Amounts paid above the average book value of the subordinate voting shares are charged to retained earnings. In connection with a NCIB, the Company may enter into an automatic securities purchase plan (“ASPP”) with a designated broker for the purpose of permitting the Company to purchase its subordinate voting shares under the NCIB during times when the Company would ordinarily not be permitted to make such purchases due to regulatory restrictions or self-imposed blackout periods. The volume of purchases is determined by the broker in its sole discretion based on purchase price and maximum volume parameters established by the Company in accordance with the rules of the TSX, applicable securities laws and the terms of the ASPP. Any purchases made under an ASPP will be included in computing the number of subordinate voting shares purchased under a NCIB.

On March 24, 2023, the Company announced that the TSX had approved its notice of intention to make a NCIB for up to a maximum of 1,856,857 of its subordinate voting shares, or approximately 10% of its public float as of March 23, 2023, over the 12-month period commencing on March 29, 2023. The bid will terminate on March 28, 2024, or such earlier time as the Company completes its purchases pursuant to the bid or provides notice of termination. In connection with the NCIB, the Company established an ASPP with its designated broker that contains specified parameters regarding how its subordinate voting shares may be purchased under the NCIB during self-imposed blackout periods. The Company paused its ASPP and issued manual instructions to its designated broker for the period from August 9, 2023 to September 30, 2023 at which time the ASPP was reinstated under amended terms and conditions. As of December 31, 2023, a total of 474,740 subordinate voting shares, comprising approximately 2.4% of the number of subordinate voting shares outstanding, have been purchased and cancelled pursuant to the NCIB at an average price of \$39.67 per share, for a total purchase price of approximately \$18,840. The excess of the purchase price paid over the average carrying value of the subordinate voting shares purchased and cancelled, in the amount of \$9,369, was recognized as a share repurchase premium and a reduction to retained earnings.

**Dividends to subordinate voting and multiple voting shareholders**

During the year ended December 31, 2023, the Company declared total dividends of \$14,202, or \$0.34 per common share (December 31, 2022 – \$10,883, or \$0.26 per common share), on subordinate voting and multiple voting shares. Included in accounts payable and accrued liabilities as at December 31, 2023 is \$3,732 (December 31, 2022 – \$2,934) for dividends paid on January 15, 2024 and January 16, 2023, to common shareholders of record on December 31, 2023 and 2022 respectively.

**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, 2023	December 31, 2022
Net income	\$ 66,140	\$ 76,275
Weighted average number of common shares	41,833	41,813
<b>Earnings per share – basic</b>	<b>\$ 1.58</b>	<b>\$ 1.82</b>

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**14. Earnings per share (continued)**

**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, 2023	December 31, 2022
Net income	\$ 66,140	\$ 76,275
Weighted average number of common shares	41,833	41,813
Dilutive effects:		
Stock options	656	812
Restricted share units	2	-
Deferred share units	52	46
Weighted average number of diluted common shares	42,543	42,671
<b>Earnings per share – diluted</b>	<b>\$ 1.55</b>	<b>\$ 1.79</b>

**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 treasury 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 1.65 million options which were granted to non-executive directors, executive officers and management personnel in connection with its initial public offering. Of these options, 1,043 remain outstanding and are exercisable.

On December 11, 2023, the Board of Directors approved a grant of 63 thousand options which were granted to executive officers and management personnel in connection with its long-term incentive plan. 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, 2023	December 11, 2019
Exercise price	\$ 39.73	\$ 15.00
Average expected option life	6.3 years	7.0 years
Risk-free interest rate	3.48%	1.59%
Expected stock price volatility	33.66%	24.77%
Average dividend yield	0.93%	1.33%
<b>Weighted average fair value per option of options granted</b>	<b>\$ 14.37</b>	<b>\$ 3.60</b>

Of the options outstanding at December 31, 2023, a total of 635 thousand (December 31, 2022 – 635 thousand) are held by non-executive directors; 223 thousand (December 31, 2022 – 200 thousand) are held by executive officers; with the remaining 248 thousand (December 31, 2022 – 239 thousand) held by management personnel.

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**15. Share-based payment arrangements (continued)**

**Stock option plan (equity-settled) (continued)**

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

(in thousands of options and in dollars)	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	1,074	\$ 15.00	1,202	\$ 15.00
Granted	63	\$ 39.73	-	-
Exercised	(31)	15.00	(128)	15.00
Ending balance	1,106	\$ 16.41	1,074	\$ 15.00
<b>Options exercisable</b>	<b>1,043</b>	<b>\$ 15.00</b>	<b>780</b>	<b>\$ 15.00</b>

The table below summarizes stock options outstanding and exercisable at December 31, 2023:

(in thousands of options and in dollars)	<u>Options Outstanding</u>		<u>Options Exercisable</u>
	Number of options	Weighted average remaining contractual life (in years)	Number of options
<b>Exercise price</b>			
\$ 15.00	1,043	5.95	1,043
39.73	63	9.95	-
	<b>1,106</b>	<b>6.18</b>	<b>1,043</b>

The Company recognized compensation expense of \$301 for the year ended December 31, 2023 (2022 – \$669), with corresponding increases to contributed surplus in connection with the vesting of options.

During the year ended December 31, 2023, 31 thousand options were exercised on a cashless basis resulting in 20 thousand subordinate voting common shares being issued from treasury and in the surrender of 11 thousand options used to fund the cashless option exercise. The volume weighted average price used to calculate the cashless exercises in accordance with the Company's Omnibus Equity Incentive Plan was \$39.73 per share at the time of exercise resulting in a \$112 net increase in share capital. When options are exercised, the option value that was originally recognized is transferred from contributed surplus to share capital. The transfer of the option value of the options exercised resulted in a \$112 reduction to contributed surplus at \$3.60 per share.

**Restricted share units ("RSUs") program (equity settled)**

On December 11, 2023, the Board of Directors approved a grant of 30 thousand RSUs which were granted to executive officers and management personnel in connection with its long-term incentive plan. The fair value of the RSUs is determined to be the share price fair value at the date of the grant. The RSUs vest in equal installments over four years and the expense is recognized as a share-based compensation expense, through contributed surplus over the vesting period. The fair value of the RSUs granted was \$39.95 per unit. For the year ended December 31, 2023 the Company recognized a compensation expense of \$34, with a corresponding increase to contributed surplus (\$2022 – \$nil).

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**15. Share-based payment arrangements (continued)**

**Restricted share units (“RSUs”) program (equity settled) (continued)**

The table below summarizes the changes in the outstanding RSUs:

(in thousands of RSUs and in dollars)	<b>December 31, 2023</b>	
	<b>Number of RSUs</b>	<b>Weighted average grant date fair value</b>
Opening balance	-	\$ -
Granted	30	39.95
Ending balance	30	\$ 39.95
<b>RSUs exercisable</b>	<b>-</b>	<b>\$ 39.95</b>

**Director deferred share units (“DSUs”) program (equity settled)**

Each non-executive director receives at least 50% of their annual director retainer in DSUs. DSUs vest when granted but are not redeemable for settlement until the director ceases to be a member of the Board. The number of DSUs issued is calculated for each director as the director’s quarterly retainer divided by the volume weighted average trading price on the TSX for the five trading days prior to such issuance. For the year ended December 31, 2023, the Company recognized a compensation expense of \$593, with corresponding increases to contributed surplus (2022 – \$632).

On June 5 and 12, 2023, an aggregate of 8 thousand DSUs were settled by the issuance of subordinate voting shares of the Company from treasury in connection with the retirement of a director resulting in a reduction of \$314 to contributed surplus and a corresponding increase in share capital.

The table below summarizes the changes in the outstanding DSUs:

(thousands of DSUs)	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Opening balance	51	37
Granted	14	14
Settled	(8)	-
<b>Ending balance</b>	<b>57</b>	<b>51</b>

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**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), and revenue disaggregated by primary geographical markets. All of the revenue generated in the United States comprises ground transportation revenue.

Major products/service lines	December 31, 2023	December 31, 2022
Logistics and distribution	\$ 159,168	\$ 155,575
Packaging solutions	16,761	21,290
<b>Healthcare Logistics segment</b>	<b>175,929</b>	<b>176,865</b>
Ground transportation	429,174	422,236
Air freight forwarding	30,595	34,383
Dedicated and last mile delivery	68,821	66,896
Intersegment revenue	(56,567)	(51,957)
<b>Specialized Transportation segment</b>	<b>472,023</b>	<b>471,558</b>
<b>Total revenue</b>	<b>\$ 647,952</b>	<b>\$ 648,423</b>
Primary geographical markets	December 31, 2023	December 31, 2022
Canada	\$ 520,983	\$ 516,845
United States	126,969	131,578
<b>Total revenue</b>	<b>\$ 647,952</b>	<b>\$ 648,423</b>

c) **Deferred revenue**

One of the Company's specialized transportation operating segments 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 have been largely insignificant. As at December 31, 2023 there was \$966 (2022 – \$1,137) recorded in accounts payable and accrued liabilities (note 10). Revenue recognized in 2023 of \$1,137 (2022 – \$1,817) was included in the opening deferred revenue balance at the beginning of the period.

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**17. Income taxes**

a) **Amounts recognized in income or loss**

	December 31, 2023	December 31, 2022
<b>Current income tax expense:</b>		
Current taxes on income for the reporting year	\$ 29,022	\$ 29,855
Current taxes relating to previous years and other adjustments	(126)	(327)
	28,896	29,528
<b>Deferred income tax recovery:</b>		
Utilization (recognition) of tax benefits related to income (loss) for the year	252	(629)
Origination and reversal of temporary differences	(4,841)	(1,797)
Deferred taxes relating to previous years and other adjustments	160	358
Deductible temporary differences not recognized	-	23
	(4,429)	(2,045)
<b>Income tax expense reported to the statements of income and comprehensive income</b>	<b>\$ 24,467</b>	<b>\$ 27,483</b>

Total cash outflow for actual taxes paid for the year ended December 31, 2023 was \$46,124 (2022 – \$30,989).

b) **Amounts recognized directly in equity**

	December 31, 2023	December 31, 2022
Transaction costs, before tax	\$ -	\$ 86
Tax	-	(23)
<b>Transaction costs, net of tax</b>	<b>\$ -</b>	<b>\$ 63</b>

c) **Reconciliation of effective tax rate**

	December 31, 2023	December 31, 2022
Income before income taxes	\$ 90,607	\$ 103,758
Consolidated Canadian federal and provincial income tax rate	26.5%	26.5%
Income tax expense based on statutory rate	24,011	27,496
Increase in income taxes resulting from non-deductible items or other adjustments	609	256
Impact of varying statutory tax rates of subsidiaries	(187)	(322)
Deductible temporary differences not recognized	-	23
Taxes relating to previous years and other adjustments	34	30
<b>Total income tax expense</b>	<b>\$ 24,467</b>	<b>\$ 27,483</b>

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**17. Income taxes (continued)**

d) **Deferred taxes**

	December 31, 2023	December 31, 2022
Deferred tax assets	\$ 5,285	\$ 5,809
Deferred tax liabilities	(42,955)	(48,609)
<b>Net deferred tax liability</b>	<b>\$ (37,670)</b>	<b>\$ (42,800)</b>

e) **Movement in deferred tax balances**

	December 31, 2023	Recognized in income or loss	Foreign currency adjustments	December 31, 2022
Plant and equipment	\$ (12,787)	\$ 872	\$ 144	\$ (13,803)
Accounts payable and accrued liabilities	868	50	(1)	819
Intangibles	(33,580)	4,879	588	(39,047)
Benefit of losses carried forward	2,531	(252)	-	2,783
Leases	4,079	(85)	(30)	4,194
Transaction costs	1,219	(1,035)	-	2,254
<b>Net deferred tax liability</b>	<b>\$ (37,670)</b>	<b>\$ 4,429</b>	<b>\$ 701</b>	<b>\$ (42,800)</b>

	December 31, 2022	Recognized in equity	Recognized in income or loss	Acquired in business combina- tions	Foreign currency adjustments	December 31, 2021
Plant and equipment	\$ (13,803)	\$ -	\$ (797)	\$ (116)	\$ (498)	\$ (12,392)
Accounts payable and accrued liabilities	819	-	207	-	5	607
Intangibles	(39,047)	-	3,742	(125)	(1,678)	(40,986)
Benefit of losses carried forward	2,783	-	629	-	-	2,154
Leases	4,194	-	(696)	61	81	4,748
Transaction costs	2,254	23	(1,040)	-	-	3,271
<b>Net deferred tax liability</b>	<b>\$ (42,800)</b>	<b>\$ 23</b>	<b>\$ 2,045</b>	<b>\$ (180)</b>	<b>\$ (2,090)</b>	<b>\$ (42,598)</b>

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**17. Income taxes (continued)**

f) **Unrecognized deferred tax liabilities**

As at December 31, 2023, temporary differences of \$40,390 (December 31, 2022 – \$40,390) exist in connection with wholly-owned investments in subsidiaries; and the related potential deferred tax liability of \$5,352 (December 31, 2022 – \$5,352) has not been recognized. The Company controls the dividend policies of its subsidiaries and controls the timing of payment of such dividends. Accordingly, the Company controls the timing of reversal of the related taxable temporary differences; and management is satisfied that they will not reverse in the foreseeable future.

g) **Non-capital loss carryforwards**

The Company recognized deferred tax assets in connection with certain losses for the current year on the basis that it will have sufficient future taxable profit.

The Company has total non-capital tax loss carry forwards of \$9,507 that begin to expire in 2040.

h) **Uncertainty over income tax treatments**

The calculation of current and deferred income taxes requires management to make certain judgements regarding the tax rules in jurisdictions where the Company performs activities. 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.

**18. Leases**

The Company leases buildings and equipment in the operation of its Transportation and Logistics businesses. The Company is required to estimate the incremental borrowing rates used to discount lease liabilities if the interest rate implicit in the lease is not readily determined. The Company estimates 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 facilities for the year ended December 31, 2023 is 5.76% (2022 – 5.20%). Equipment lease terms range from 1 to 7 years. Equipment lease liabilities are calculated using the operating segment's average incremental borrowing rate on an equipment lease portfolio basis for that period. The average incremental borrowing rate for equipment for year ended December 31, 2023 is 5.94% for Specialized Transportation and 5.74% for Healthcare Logistics (2022 – 4.87% for Specialized Transportation; 5.49% for Healthcare Logistics).

<b>Right-of-use assets – Facilities</b>	<b>As at and for the year ended December 31, 2023</b>	<b>As at and for the year ended December 31, 2022</b>
Opening balance	\$ 77,701	\$ 89,343
Add: additions	2,477	2,744
Add: additions through business combinations	-	2,756
Less: depreciation	(17,934)	(17,487)
Foreign currency adjustments	(103)	345
<b>Ending balance</b>	<b>\$ 62,141</b>	<b>\$ 77,701</b>



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**18. Leases (continued)**

<b>Right-of-use assets – Logistics and transportation equipment</b>	<b>As at and for the year ended December 31, 2023</b>	<b>As at and for the year ended December 31, 2022</b>
Opening balance	\$ 32,333	\$ 33,443
Add: additions	15,010	9,294
Add: additions through business combinations	-	1,042
Less: depreciation	(11,691)	(11,519)
Foreign currency adjustments	(23)	73
<b>Ending balance</b>	<b>\$ 35,629</b>	<b>\$ 32,333</b>

  

<b>Net carrying amounts of right-of-use assets included in property, plant and equipment</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Facilities	\$ 62,141	\$ 77,701
Logistics and transportation equipment	35,629	32,333
<b>Balance</b>	<b>\$ 97,770</b>	<b>\$ 110,034</b>

  

<b>Lease liabilities – Facilities</b>	<b>As at and for the year ended December 31, 2023</b>	<b>As at and for the year ended December 31, 2022</b>
Opening balance	\$ 86,925	\$ 98,681
Add: additions	2,477	2,744
Add: additions through business combinations	-	2,006
Add: interest expense	3,085	3,623
Less: principal repayments	(17,794)	(16,857)
Less: interest payments	(3,085)	(3,623)
Foreign currency adjustments	(107)	351
<b>Ending balance</b>	<b>\$ 71,501</b>	<b>\$ 86,925</b>

  

<b>Lease liabilities – Logistics and transportation equipment</b>	<b>As at and for the year ended December 31, 2023</b>	<b>As at and for the year ended December 31, 2022</b>
Opening balance	\$ 26,804	\$ 28,282
Add: additions	15,010	9,294
Add: additions through business combinations	-	1,392
Add: interest expense	1,321	1,165
Less: principal repayments	(10,158)	(12,177)
Less: interest payments	(1,321)	(1,165)
Foreign currency adjustments	(76)	13
<b>Ending balance</b>	<b>\$ 31,580</b>	<b>\$ 26,804</b>

  

<b>Cash lease principal payments</b>	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
Repayments of lease principal	\$ (27,952)	\$ (29,034)
<b>Total lease payments</b>	<b>\$ (27,952)</b>	<b>\$ (29,034)</b>

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**18. Leases (continued)**

<b>Lease liabilities</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Facilities	\$ (71,501)	\$ (86,925)
Logistics and transportation equipment	(31,580)	(26,804)
<b>Balance</b>	<b>\$ (103,081)</b>	<b>\$ (113,729)</b>

  

<b>Lease liabilities included in consolidated balance sheets</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	\$ (27,697)	\$ (26,547)
Non-current	(75,384)	(87,182)
<b>Balance</b>	<b>\$ (103,081)</b>	<b>\$ (113,729)</b>

  

<b>Maturity analysis for lease liabilities – contractual undiscounted cash flows</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Less than one year	\$ 32,285	\$ 30,523
One to 5 years	76,377	81,317
More than 5 years	5,636	12,886
<b>Total undiscounted lease liabilities</b>	<b>\$ 114,298</b>	<b>\$ 124,726</b>

Amounts recognized in the consolidated statements of income and comprehensive income in connection with interest expense for lease liabilities for year ended December 31, 2023 was \$4,406 (2022 – \$4,788). Total cash outflow for leases for the year ended December 31, 2023 was \$32,358 (2022 – \$33,822).

<b>Net investment lease</b>	<b>As at and for the year ended December 31, 2023</b>	<b>As at and for year ended December 31, 2022</b>
Opening balance	\$ 61	\$ 784
Add: interest received	-	11
Less: payments received	(61)	(723)
Less: interest income	-	(11)
<b>Ending balance</b>	<b>\$ -</b>	<b>\$ 61</b>

In January 2021, the Company sub-leased a facility to a third party that had previously been classified as a right-of-use asset. The Company derecognized the net book value of the right-of-use asset and established a net investment lease at that time. As at December 31, 2023 the lease has been fully paid and terminated. The Company recognized less than \$1 of interest income for the year ended December 31, 2023 (2022 – \$11).

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**19. Interest expense**

Interest expense recognized in income and comprehensive income	December 31, 2023	December 31, 2022
Leases	\$ 4,406	\$ 4,788
Credit facilities	2,977	2,001
Other	824	69
<b>Total interest expense</b>	<b>\$ 8,207</b>	<b>\$ 6,858</b>

Interest expense recognized in the consolidated statements of income and comprehensive income equates to total interest paid for the years ended December 31, 2023 and 2022.

**20. Commitments and contingencies**

- a) 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.
- b) As at December 31, 2023, the Company had outstanding letters of guarantee in the amount of \$365 (December 31, 2022 – \$365).
- c) The Company has made commitments to lease fleet equipment, with the terms to begin upon delivery of the equipment. Commitments range from 72 to 84 months and total \$12,926 (December 31, 2022 – \$11,371).
- d) The Company has made commitments to purchase fleet equipment totalling approximately \$4,848 (December 31, 2022 – \$10,126).

**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 are 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 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.

The Company recovers certain facilities lease costs from Andlauer Management Group Inc. (“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.

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**21. Related parties (continued)**

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.

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.

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 & Maintenance Inc. (“DCR”) and Logiserv Inc. (“Logiserv”) are partially owned by Cameron Joyce, a member of AHG’s board of directors. DCR provides warehouse racking installation and maintenance and repair services to the Company. Logiserv provides warehouse racking and racking components as well as warehouse racking installation, maintenance and repair services. The Company also purchases warehouse racking installation, maintenance and repairs, and warehouse racking and racking components from arm’s length providers.

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

	December 31, 2023	December 31, 2022
<b>Revenue</b>		
<b>Transportation services</b>		
1708998 Ontario Limited (Medical Courier Services)	\$ 215	\$ 173
<b>Shared service recovery</b>		
Andlauer Properties and Leasing Inc.	19	20
Andlauer Management Group Inc.	14	13
9143-5271 Quebec Inc.	32	32
1708998 Ontario Limited (Medical Courier Services)	24	13
<b>Expenses</b>		
<b>Transportation services</b>		
1708998 Ontario Limited (Medical Courier Services)	151	147
Med Express Ltd.	20	40
<b>Contract labour services</b>		
Ready Staffing Solutions Inc.	6,503	6,517
<b>Equipment rent</b>		
Andlauer Properties and Leasing Inc.	2,237	2,301
<b>Facility rent</b>		
Andlauer Properties and Leasing Inc.	2,239	2,163
9143-5271 Quebec Inc.	1,544	1,532
<b>Maintenance services</b>		
D.C. Racking and Maintenance Inc. and Logiserv Inc.	-	54
<b>Travel services</b>		
C-GHBS Inc.	58	104
<b>Capital Expenditures</b>		
<b>Purchases of logistics and transportation equipment</b>		
Logiserv Inc.	-	47

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**21. Related parties (continued)**

	December 31, 2023	December 31, 2022
<b>Trade receivables due from related parties</b>		
Andlauer Properties and Leasing Inc.	\$ 13	\$ 15
1708998 Ontario Limited (Medical Courier Services)	41	32
	54	47
<b>Due from related parties</b>		
Andlauer Management Group Inc.	1	56
	1	56
<b>Total due from related parties</b>	<b>\$ 55</b>	<b>\$ 103</b>
<b>Trade payables due to related parties</b>		
Ready Staffing Solutions Inc.	\$ 150	\$ 463
1708998 Ontario Limited (Medical Courier Services)	13	18
Andlauer Properties and Leasing Inc.	287	73
Andlauer Management Group Inc.	-	9
C-GHBS Inc.	-	12
Logiserv Inc.	-	12
	450	587
<b>Due to related parties</b>		
Andlauer Properties and Leasing Inc.	206	342
<b>Total due to related parties</b>	<b>\$ 656</b>	<b>\$ 929</b>

**Key management personnel**

The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and include the Company's CEO, four named executive officers comprising key management and the Board of Directors.

Key management personnel compensation comprised the following:

	December 31, 2023	December 31, 2022
<b>Key management compensation</b>		
Salaries and benefits	\$ 4,061	\$ 3,498
Share-based payment arrangements	196	426
Director deferred share units	592	632
<b>Total key management compensation</b>	<b>\$ 4,849</b>	<b>\$ 4,556</b>

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**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 the last twelve months' 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, 2023	December 31, 2022
Total lease liabilities	\$ 103,081	\$ 113,729
Term facility	24,819	49,557
Less: cash and cash equivalents	(59,740)	(65,855)
Net debt	68,160	97,431
Last twelve months' net income	66,140	76,275
Last twelve months' interest income	(3,170)	(599)
Last twelve months' interest expense	8,207	6,858
Last twelve months' income tax expense	24,467	27,483
Last twelve months' depreciation and amortization	68,149	64,452
EBITDA	163,793	174,469
Net leverage ratio	0.42	0.56