Protech HOME MEDICAL

Consolidated Financial Statements

For the fiscal years ended
September 30, 2018 and 2017

(Expressed in Canadian dollars)

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Independent Auditors' Report

To the Shareholders of Protech Home Medical Corp. (formerly Patient Home Monitoring Corp.):

We have audited the accompanying consolidated financial statements of Protech Home Medical Corp. (the "Company"), which comprises the consolidated statements of financial position as at September 30, 2018 and September 30, 2017, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Protech Home Medical Corp. as at September 30, 2018 and September 30, 2017, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

MNP LLP

Toronto, Ontario
January 24, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Protech Home Medical Corp. (formerly Patient Home Monitoring Corp.) (the "Company") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

signed "*Gregory Crawford*"

Chief Executive Officer
(Gregory Crawford)

signed "*Hardik Mehta*"

Chief Financial Officer
(Hardik Mehta)

PROTECH HOME MEDICAL CORP.
(FORMERLY PATIENT HOME MONITORING CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in thousands of Canadian Dollars, except per share amounts)

	Notes	As at September 30, 2018	As at September 30, 2017
ASSETS			
Current Assets			
Cash and cash equivalents		$ 4,331	$ 3,391
Accounts receivable	2	12,522	9,519
Inventory	3	5,640	9,787
Prepaid expenses and other current assets		489	822
Total current assets		22,982	23,519
Assets held for distribution	16	-	77,427
Long-term			
Property and equipment, net	4	20,888	20,631
Goodwill	6	1,839	1,773
Intangible assets, net	6	3,275	3,762
Deposits		121	105
Total long-term assets		26,123	26,271
TOTAL ASSETS		$ 49,105	$ 127,217
LIABILITIES			
Current Liabilities			
Trade payables		$ 6,292	$ 8,254
Accrued liabilities		2,350	1,343
Finance lease payable	7	9,658	6,751
Purchase price payable	5	-	341
Conversion liability warrants	8	95	262
Total current liabilities		18,395	16,951
Liabilities held for distribution	16	-	11,983
Long-Term Liabilities			
Long-term debt	7	11,440	9,258
Total long-term liabilities		11,440	9,258
TOTAL LIABILITIES		29,835	38,192
SHAREHOLDERS' EQUITY			
Share capital	9	193,951	193,459
Contributed surplus		19,041	17,153
Accumulated other comprehensive income		12,332	9,924
Deficit		(206,054)	(131,511)
TOTAL SHAREHOLDERS' EQUITY		19,270	89,025
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 49,105	$ 127,217

Commitments and Contingency (Note 10)
Subsequent Events (Note 18)

APPROVED ON BEHALF OF THE BOARD:

signed “Donald Ewing” signed “Mark Greenberg”

PROTECH HOME MEDICAL CORP.
(FORMERLY PATIENT HOME MONITORING CORP.)
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in thousands of Canadian Dollars, except per share amounts)

	Notes	Year ended September 30, 2018	Year ended September 30, 2017
Revenue			
Sale of medical equipment and supplies		$ 34,569	$ 25,858
Rental of medical equipment		42,294	50,511
Total revenue		76,863	76,369
Cost of revenue	11	23,349	22,256
Gross margin		53,514	54,113
Selling, general and administrative	11	41,207	53,056
Depreciation	4	14,912	11,202
Amortization of intangible assets	6	621	4,247
Stock-based compensation	9	2,128	(1,500)
Goodwill and intangible asset impairment	6	-	12,342
Other expense		15	22
Gain on disposal of property and equipment		(273)	(11)
Net loss from continuing operations before financing expenses, taxes and discontinued operations		(5,096)	(25,245)
Financing expenses			
Interest on unsecured subordinated debentures		1,532	1,235
Other interest expense		376	165
(Gain) loss on derivative financial liability	8	(167)	9
Net loss from continuing operations before taxes		(6,837)	(26,654)
Provision for income taxes	12	130	440
Net loss from continuing operations after taxes and before discontinued operations		(6,967)	(27,094)
Discontinued operations:			
Net income from assets and liabilities held for distribution	16	4,205	3,335
Gain on settlement of distribution liability		21,509	-
		25,714	3,335
Combined operations:			
Net income (loss) after taxes		$ 18,747	$ (23,759)
Other comprehensive income (loss)			
Cumulative translation adjustment		843	(6,036)
Comprehensive income (loss)		$ 19,590	$ (29,795)
Net income (loss) per share (Note 14)			
Basic earnings per share - combined		$ 0.25	$ (0.32)
Diluted earnings per share - combined		$ 0.23	$ (0.32)
Weighted average number of common shares outstanding:			
Basic		75,757	75,417
Diluted		80,744	75,417

PROTECH HOME MEDICAL CORP.
(FORMERLY PATIENT HOME MONITORING CORP.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in thousands of Canadian Dollars, except per share amounts)

	Number of Shares (000's) (Note 1(b))	Capital stock	Contributed surplus	Deficit	Accumulated other comprehensive income/(loss)	Total shareholder's equity
Balance September 30, 2016	75,080	$193,058	$18,656	$(107,752)	$15,960	$119,922
Conversion of class A shares (Note 8)	453	385	-	-	-	385
Options and warrants exercised (Note 8)	7	16	(3)	-	-	13
Stock based compensation options (Note 9)	-	-	(1,500)	-	-	(1,500)
Net loss	-	-	-	(23,759)	-	(23,759)
Other comprehensive loss	-	-	-	-	(6,036)	(6,036)
Balance September 30, 2017	75,539	$193,459	$17,153	$(131,511)	$9,924	$89,025
Stock options exercised (Note 8)	280	492	(240)	-	-	252
Cancellation and reissuance of common shares and options on spin off (Note 9)	-	-	459	-	-	459
Distribution of spin off (Note 1)	-	-	-	(93,290)	1,565	(91,725)
Stock based compensation (Note 9)	-	-	1,669	-	-	1,669
Net income	-	-	-	18,747	-	18,747
Other comprehensive income	-	-	-	-	843	843
Balance September 30, 2018	75,819	$193,951	$19,041	$(206,054)	$12,332	$19,270

PROTECH HOME MEDICAL CORP.
(FORMERLY PATIENT HOME MONITORING CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of Canadian Dollars, except per share amounts)

	Notes	Year ended September 30, 2018	Year ended September 30, 2017
Operating activities			
Net loss from continuing operations		$ (6,967)	$ (27,094)
Adjustments to reconcile net loss			
Items not affecting cash			
Depreciation and amortization		15,533	15,449
Accretion expense	7	885	708
Change in value of derivative financial liability	8	(167)	16
Change in value of exchangeable shares of subsidiary	8	-	(25)
Gain on disposal of property and equipment		(273)	(11)
Stock based compensation	9	1,669	(1,500)
Fair value difference on new options issued on spin out		459	-
Goodwill and intangible asset impairment	6	-	12,342
Bad debt expense	12	5,226	15,862
Change in Working Capital:			
Net increase in accounts receivable		(9,044)	(5,221)
Net increase (decrease) in inventory		4,771	(4,942)
Net decrease in other current assets		336	92
Net increase (decrease) in trade payables and accrued liabilities		(1,720)	4,856
Net operating activities from assets and liabilities held for distribution		3,045	(16,600)
Net cash flow provided by (used in) operating activities		13,753	(6,068)
Investing activities			
Purchase of property and equipment	4	(685)	(3,029)
Cash proceeds from sale of property and equipment		396	91
Cash paid for acquisition of subsidiary	5	(546)	(161)
Net investing activities from assets and liabilities held for distribution		(100)	14,633
Net cash flow (used in) provided by investing activities		(935)	11,534
Financing activities			
Payment of finance lease liabilities, net		(10,888)	(2,218)
Proceeds from options and warrants exercised		252	4
Net financing activities from assets and liabilities held for distribution		(2,946)	(5,888)
Net cash flow used in financing activities		(13,582)	(8,102)
Net increase (decrease) in cash and cash equivalents		(764)	(2,637)
Effect of exchange rate changes on cash held in foreign currencies		1,704	(764)
Cash, beginning of year		3,391	6,792
Cash, end of year		$ 4,331	$ 3,391

1. Nature of operations

Reporting entity

Protech Home Medical Corp. ("PHM" or the "Company") was incorporated under the Business Corporations Act (Alberta) on March 5th, 1993. On December 30, 2013, the Company was continued into British Columbia, Canada. The address of the registered office is 5626 Larch St. Suite 202, Vancouver, BC V6M 4E1 (Canada). The head office is located at 1019 Town Drive, Wilder, Kentucky (USA). The Company's main revenue source is in providing in-home monitoring equipment, supplies and services to patients in the United States. The Company has also embarked on an acquisition strategy for additional revenue and profit growth.

The Company changed its name from Patient Home Monitoring Corp. to Protech Home Medical Corp. on April 4, 2018.

The Company's shares are traded on the TSX Venture Exchange under the symbol PHM. The stock is also traded over the counter under the symbol PHMZF.

On December 21, 2017 the Company executed Asset and Share Purchase Agreements as well as an Arrangement Agreement with Viemed Healthcare, Inc. ("Viemed"), then a wholly owned subsidiary of the Company which as spun-off as a separate public company that would own a 100% interest in Home Sleep Delivered, L.L.C. and Sleep Management, L.L.C. The consolidated financial statements and the notes reflect the Viemed entity as a discontinued operation, see Note 16.

Share consolidation

Effective December 31, 2018, the Company consolidated its issued and outstanding common shares on the basis of one post consolidation common share for every five pre-consolidation common shares. Unless otherwise stated, all share, options, warrants and per-share amounts have been restated retrospectively to reflect this share consolidation.

Going concern

These consolidated financial statements have been prepared on a going concern basis. The application of the going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operation. If this assumption was not appropriate, adjustments to these condensed consolidated financial statements may be necessary.

2. Summary of significant accounting policies

Unreserved 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").

The consolidated financial statements were authorized for issue by the Board of Directors on January 24, 2019.

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

2. Summary of significant accounting policies (continued)

Accounting standards issued but not yet effective

i. IFRS 15 Revenue from Contracts with Customers – In May 2014, the International Accounting Standards Board ("IASB") issued a new International Financial Reporting Standard ("IFRS") on the recognition of revenue from contracts of customers. IFRS 15 specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. PHM has assessed IFRS 15 and believes that adoption of this guidance will have no significant impact on its consolidated financial statements.

ii. IFRS 9 Financial Instruments – In July 2014, the IASB issued the final version of IFRS 9 as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This Standard will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted. PHM does not have any derivative financial assets or investments that would fall under this pronouncement and receivables are already valued at the contractual cash flows. We believe that our allowance for doubtful accounts is calculated considering any default scenarios and is considered the "expected credit loss of the total trade receivables". Most of our assets fall in the FVPL category where changes to the fair value are taken to gain/loss on the P&L. PHM believes that adoption of this guidance will have no significant impact on its consolidated financial statements.

iii. IFRS 16 Leases - In January 2016, the IASB issued a new IFRS on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the ACSB in June 2016. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

Reporting currency

All values are in Canadian dollars ($) unless specifically indicated otherwise. United States dollars are indicated as US$.

Functional currency

Management has exercised judgment in selecting the functional currency of each of the entities that it consolidates based on the primary economic environment in which the entity operates and in reference to the various indicators including the currency that primarily influences or determines the selling prices of goods and services and the cost of production, including labor, material and other costs and the currency whose competitive forces and regulations mainly determine selling prices.

The consolidated financial statements of the Company are presented in Canadian dollars, which is the parent company's presentation and functional currency, but which differs from its subsidiaries' functional currency, the US dollar, which was determined using management's assumption that the primary economic environment which it will derive its revenue and expenses incurred to generate those revenues is the United States.

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

2. Summary of significant accounting policies (continued)

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions have been eliminated. The Company's consolidated entities, their functional currencies and ownership percentages are as follows:

Black Bear Medical, Inc.	USD	100%
Black Bear Medical NH, Inc.	USD	100%
Black Bear Medical Group, Inc.	USD	100%
Protech Home Medical Corp.	CAD	100%
Care Medical Atlanta, LLC	USD	100%
Care Medical of Athens, Inc.	USD	100%
Care Medical of Augusta, LLC	USD	100%
Care Medical of Gainesville, LLC	USD	100%
Care Medical Partners, LLC	USD	100%
Care Medical Savannah, LLC	USD	100%
Coastal Med-Tech Corp.	USD	100%
Legacy Oxygen and Home Care Equipment, LLC	USD	100%
Patient Aids, Inc.	USD	100%
Patient Home Monitoring, Inc.	USD	100%
PHM Logistics Corporation	USD	100%
PHM Services, Inc.	USD	100%
Resource Medical, Inc.	USD	100%
Resource Medical Group Charleston, LLC *	USD	100%
Resource Medical Group, LLC *	USD	100%
West Home Healthcare, Inc.	USD	100%

*These entities had exchangeable non-voting Class A shares issued to other parties that have been presented as derivative financial liabilities of the Company (Note 8). All such exchangeable non-voting Class A shares have been converted into the common Company shares as of September 30, 2017.

Black Bear Medical North, Inc. was transferred into Black Bear Medical, Inc., Healthcare Logistics Corporation was dissolved in fiscal year 2017 and PHM DME Health Care and PHM Health Management were entities that were not utilized and discontinued.

Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The following are the significant estimates that the Company has made in preparing the consolidated financial statements.

Useful lives of property and equipment and intangible assets

Property and equipment is stated at cost less accumulated depreciation. Major renewals and improvements are charged to the property accounts, while maintenance, and repairs, which do not extend the useful life of the respective assets, are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

2. Summary of significant accounting policies (continued)

The estimated useful lives of the assets are as follows:

Description	Estimated Useful Lives
Monitoring equipment	1-5 years
Computer equipment	5 years
Vehicles	5 years
Office furniture and fixtures	5 - 7 years
Leasehold improvements	Life of Lease

Depreciation of monitoring equipment commences once it has been deployed to a patient's address and put in use. Property and equipment and other non-current assets with definite useful lives are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

The Company has recorded various intangible assets consisting primarily of non-compete agreements, trademarks, customer contracts and customer relationships.

Non-compete agreements are the value associated with the non-compete agreements entered into by the sellers of purchased companies.

Trademarks are the purchase price allocation for the value associated with the trade name of the acquired company.

Customer contracts are comprised of the purchase price allocation of the present value of expected future customer billings based on the statistical life of a customer.

Customer relationships are the value given in the purchase price allocation to the long-term associations with referral sources such as doctors, medical centers, etc.

Finite life intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

Description	Estimated Useful Lives
Non-compete agreements	5 Years
Brand	10 Years
Customer contracts	2 Years
Customer relationships	10 Years

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statements of Net Loss and Comprehensive Loss when the asset is derecognized.

The Company reviews the estimates for useful lives on an annual basis, or more frequently if events during the year indicate that a change may be required, with consideration given to technological obsolescence and other relevant business factors. A change in management's estimate could impact depreciation/amortization expense and the carrying value of property and equipment and intangible assets.

Valuation of inventories

The Company estimates that a certain portion of inventory purchased may be obsolete or non-saleable. The Company maintains a provision for obsolescence for these particular items. Valuation of the inventory was assessed at year-end and all inventory items which are more than two years old and not supported by any recent sales were provided for 50% in accordance with Company's policy.

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

2. Summary of significant accounting policies (continued)

Valuation of accounts receivable

The Company estimates that a certain portion of receivables from customers may not be collected and maintains an allowance for doubtful accounts. The Company evaluates the net realizable value of accounts receivable as of the Consolidated Statement of Financial Position date. Specifically, the Company considers historical realization data including current and historical cash collections, accounts receivable aging trends, other operating trends and relevant business conditions.

Because of continuing changes in the health care industry and third-party reimbursement, it is possible that the Company's estimates could change, which could have a material impact on our operations and cash flows. If circumstances related to certain customers change or actual results differ from expectations, the Company's estimate of the recoverability of receivables could fluctuate from that provided for in the consolidated financial statements. A change in estimate could impact expenses and accounts receivable.

Allowance for doubtful accounts

	As at September 30, 2018	As at September 30, 2017
Balance, beginning of year	$ 14,660	$ 15,849
Assets held for distribution	-	(3,969)
Increase in provision (Note 11)	5,226	15,862
Amounts written off	(8,480)	(13,082)
Balance, end of year	$ 11,406	$ 14,660

Provisions

The Company recognizes provisions when it has a legal or constructive obligation as a result of past events for which it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Discontinued operating and assets held for distribution

A non-current asset or a group of assets and liabilities is held for distribution when its carrying amount will be recovered principally through its divestiture and not by continuing utilization. To meet this definition, the asset must be available for immediate sale, and divestiture must be highly probably. These assets and liabilities are recognized as assets held for distribution and liabilities associated with assets held for distribution, without offset. The related assets recorded as assets held for distribution are valued at the lower of fair value, net of divestiture fees, and cost less accumulated depreciation and impairment losses, and are no longer depreciated.

An operation is qualified as discontinued when it represents a separate major line of business and the criteria for classification as an asset held for distribution have been met, or when the Company has sold the asset.

Discontinued operations are presented on a single line of the statement of income (loss) and comprehensive income (loss) for the periods reported, comprising the earnings after tax of discontinued operations until divestiture and the gain or loss after tax on sale or fair value measurement, less costs to sell the assets and liabilities making up the discontinued operations are presented on one separate line of the statement of consolidated cash flows for the periods presented.

2. Summary of significant accounting policies (continued)

Significant accounting judgments

The following are the critical judgments, apart from those involving estimations, that have been made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Acquisition accounting

Management applies judgment in the recognition and measurement of the intangible assets acquired in business combinations. These transactions have been recorded in the consolidated financial statements based on management's assessment of fair value for the acquired assets and liabilities (See Note 5).

Segment reporting

IFRS 8 requires operating segments to be determined based on the Company's internal reporting to the Chief Operating Decision Maker ('CODM'). The CODM has been determined to be the Company's Chief Executive Officer as he is primarily responsible for the allocation of resources and the assessment of performance.

The CODM uses operating profit, as reviewed at monthly business review meetings, as the key measure of the Company's results as it reflects the Company's underlying performance for the period under evaluation. Operating profit is defined as profit on operations before interest, taxes, stock-based compensation, amortization of intangibles, impairment expenses and depreciation.

Company reorganized its business segments during 2016 and had three reportable operating segments: Viemed (Sleep Management, LLC and Home Sleep Delivered, LLC) and PHM, as well as a Corporate cost center under IFRS 8. After the spin-off transaction occurred described in Note 16, the Company no longer includes the Viemed segment in its continuing operations. Consequently, PHM now has only one reportable operating segment.

Exchangeable Class A shares of certain subsidiaries

Management has exercised judgment in determining that the non-voting Class A shares of certain subsidiaries which are exchangeable for shares of the Company on a one-to-one basis do not represent a minority interest but rather are a complex compound instrument that management has elected to measure at fair value. Management has exercised judgment in considering these shares as being converted in the measurement of earnings per share.

Valuation of derivative instruments

Management has exercised judgment in the determination of the fair value of the derivative instruments. Estimating fair value for the derivatives requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the instrument. This estimate also requires the judgment in the determination of the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility and dividend yield and making other assumptions about them.

Identification of cash-generating unit ("CGU")

For the purposes of impairment testing, assets are grouped at the lowest levels of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets, termed as a CGU. The allocation of assets into a CGU requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures and the way in which management monitors the operations.

2. Summary of significant accounting policies (continued)

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had such a negative effect on the estimated future cash flows of the asset that the carrying value of the asset can no longer be recovered.

If a financial asset carried at amortized cost is impaired, the impairment is measured as the difference between the carrying amount, or amortized cost of the asset, and the present value of the future cash flows discounted at the instrument's original effective interest rate. The impairment is recognized in earnings or loss. An impairment loss may be reversed if the reversal can be objectively related to an event occurring after the impairment loss recognition. For financial assets measured at amortized cost, the reversal is recognized in earnings or loss.

Individually significant financial assets are tested for impairment on an individual basis. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment of non-financial assets

Intangible assets are tested for impairment at each reporting period if impairment indicators exist and immediately prior to a transfer of costs to Property and Equipment ("P&E"). The Company has elected to allocate all of its intangible assets to each of its cash generating units ("CGUs"). As a result, the Company assesses its intangible assets for impairment at a CGU level.

P&E is also tested for impairment at each reporting period if impairment indicators exist. P&E impairment is assessed at the CGU level.

When the carrying amount of the CGU or group of CGUs exceeds their recoverable amount, the CGU or group of CGUs is considered impaired and written down to its recoverable amount. Recoverable amount is the higher of (i) the fair value less costs to sell and (ii) the value in use.

Fair value less costs to sell is determined as the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from the asset or CGU discounted using a pre-tax discount rate reflecting market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized within earnings or loss. A previously recognized impairment loss may be reversed if the assumptions used to determine the recoverable amount have changed since the impairment loss recognition. For non-goodwill assets an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and depletion, if no impairment loss had been recognized.

Goodwill impairment

Management has evaluated the recoverable amount for its cash generating unit and applied judgment in the discount rate and other underlying assumptions used in impairment analysis of goodwill. For details see Note 6.

Comparative information

In order to enhance the presentation of the consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss) allowing for a user of the statements to more readily identify key measures important in the understanding of the business. Certain figures can be reclassified to conform to the current year presentation. The Company made no reclassification in this presentation.

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash consists of cash and temporary investments that are redeemable on demand or with an original maturity of three months or less that are readily convertible to known amounts of cash that are subject to insignificant risk or change.

Accounts receivable

Accounts receivable are recorded at the time revenue is recognized. The amount billed is the amount the Company believes is the allowable charge as determined by the payer (i.e. Medicare, insurance companies, etc.). These billings can be challenged by the payer. These modified amounts will be the total payment for the services, unless the Company decides to appeal the determination. The historical rate of modifications and appeals results has been used to determine the allowance for bad debts.

Accounts receivable are regularly reviewed for collectability and an allowance is credited to cover the estimated bad debts and billing modifications. The accounts receivable is presented on the Consolidated Statement of Financial Position net of the allowance for doubtful accounts. It is possible that the estimates of the allowance for doubtful accounts could change, which could have a material impact on The Company's operations and cash flows. The Company writes off receivables when the likelihood for collection is remote, and when the Company believes collection efforts have been fully exhausted and it does not intend to devote additional resources in attempting to collect. The write-offs are charged against the allowance for doubtful accounts.

At September 30, 2018, accounts receivable consisted of $23,928,000 less an allowance for doubtful accounts of $11,406,000 (2017: accounts receivable of $24,179,000 less an allowance for doubtful accounts of $14,660,000).

Inventory

Inventory consists primarily of testing strips, respiratory equipment, durable medical and power mobility equipment and supplies. The Company values inventory at the lower of cost and net realizable value. The inventory value is determined using the first-in first-out method. Obsolete and unserviceable inventories are written down to their estimated net realizable value.

Serialized inventory consists of assets that are with patients for which the Company earns rental income. Non-serialized inventory is inventory which is housed in the warehouse or store and ready for direct sales to consumers or other customers.

Certain testing strips are placed in the patient's home and used over a four-month period. Until they are used, the inventory remains the property of the Company and is returnable. The value of unused strips is included in the Company's inventory.

Business Combinations

Business combinations are accounted for using the acquisition method. For each business combination at the acquisition date, the Company recognizes at fair value all of the identifiable assets acquired, the liabilities assumed, the non-controlling interest in the acquiree and the aggregate of the consideration transferred, including any contingent consideration to be transferred. When the fair value of the consideration transferred, and the amount recognized for non-controlling interest and the acquisition-date fair value of any existing equity interest in the acquiree exceeds the net amount of the identifiable assets acquired and the liabilities assumed measured at fair value (the "net identifiable assets"), the difference is treated as goodwill. After initial recognition, goodwill is measured at its initial cost from the acquisition date, less any accumulated impairment losses. Goodwill is reviewed at least annually for impairment or when there is an indication of potential impairment. If the fair value of the Company's share of the net identifiable assets exceeds the sum calculated above, the difference (i.e. gain on a bargain purchase) is immediately recognized in profit or loss.

2. Summary of significant accounting policies (continued)

Business Combinations (continued)

If the business combination is achieved in stages, the acquisition date fair value of the previously held interest in the acquiree is re-measured to fair value as at the acquisition date through profit or loss.

Comprehensive income (loss)

Comprehensive income (loss) consists of two components, net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) refers to revenue, expenses, gains and losses that under IFRS are recorded as an element of shareholders' equity but are excluded from net income (loss). The Company's other comprehensive income (loss) consists of foreign currency translation adjustments from translation of the functional currency to Canadian dollars.

Foreign currency transactions

The functional currency of each of the Company's wholly-owned subsidiaries is measured using the currency of the primary economic environment in which the subsidiary operates. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Company's entities in their respective functional currency at rates prevailing at the date of the transaction. The functional currency of the Company and its subsidiaries is the US dollar and the reporting currency is the Canadian dollar.

Monetary items are translated at the functional currency spot rate as of the reporting date. Exchange differences from monetary items are recognized in profit or loss. Non-monetary items that are not carried at fair value are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of operations are translated at the average monthly rates of exchange. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of income and comprehensive income.

Revenue recognition

Revenue consists of the sale and rental of medical equipment along with patient monitoring services. Revenues are billed to and collections received from Medicare, Medicaid, third-party insurers, co-insurance and patient-pay. Net patient service revenue is recognized at the time services are provided net of contractual adjustments based on an evaluation of expected collections resulting from the analysis of current and past due accounts, past collection experience in relation to amounts billed and other relevant information. Contractual adjustments result from the differences between the rates charged for services and reimbursements by government-sponsored healthcare programs and insurance companies for such services. Interest revenue is recognized as earned.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes.

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

2. Summary of significant accounting policies (continued)

Income taxes (continued)

The Company's income tax provisions reflect management's interpretation of country and state tax laws. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and may remain uncertain for several years after their occurrence. The Company recognizes assets and liabilities for taxation when it is probable that the Company will receive refunds or pay taxes to the relevant tax authority. Where the final determination of tax assets and liabilities is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxes provision in the period in which such determination is made. Changes in tax law or changes in the way tax law is interpreted may also impact the Company's effective tax rate as well as its business and operations.

Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying value of assets and liabilities and their respective income tax bases. Deferred income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The calculation of current and deferred income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment concerning the carrying value of assets and liabilities. The current and deferred income tax assets and liabilities are also impacted by expectations about future operating results and the timing of reversal of temporary differences as well as possible audits of tax filings by regulatory agencies. Changes or differences in these estimates or assumptions may result in changes to the current and deferred tax assets and liabilities on the consolidated statements of financial position and a charge to or recovery of income tax expense.

3. Inventory

	As at September 30, 2018	As at September 30, 2017
Serialized	$ 2,148	$ 5,147
Non-serialized	3,492	4,640
Total inventory	$ 5,640	$ 9,787

	For the year ended September 30, 2018	For the year ended September 30, 2017
Inventory expensed in cost of revenue	$ 21,841	$ 20,189

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

4. Property and equipment

Cost	Monitoring equipment	Computer equipment	Office furniture and fixtures	Leasehold improvements	Vehicles	Total
Balance September 30, 2016	**$ 43,816**	**$ 1,817**	**$ 707**	**$ 868**	**$ 3,132**	**$ 50,340**
Additions	25,410	130	91	228	1,014	26,873
Assets held for distribution	(25,101)	(596)	(269)	(189)	(1,492)	(27,647)
Disposals	(6,089)	(87)	(12)	(2)	(208)	(6,398)
Foreign exchange	(3,070)	(89)	(39)	(54)	(192)	(3,444)
Balance September 30, 2017	**$ 34,966**	**$ 1,175**	**$ 478**	**$ 851**	**$ 2,254**	**$ 39,724**
Additions	12,801	67	138	481	597	14,084
Acquisitions	600	13	2	-	6	621
Disposals	(12,453)	(126)	-	-	(66)	(12,645)
Foreign exchange	1,287	44	17	32	84	1,464
Balance September 30, 2018	**$ 37,206**	**$ 1,173**	**$ 635**	**$ 1,364**	**$ 2,875**	**$ 43,248**

Accumulated Depreciation	Monitoring equipment	Computer equipment	Office furniture and fixtures	Leasehold improvements	Vehicles	Total
Balance September 30, 2016	**$ 14,089**	**$ 597**	**$ 146**	**$ 125**	**$ 939**	**$ 15,896**
Depreciation	10,060	232	108	95	448	11,202
Assets held for distribution	(3,536)	(218)	(71)	(57)	(600)	(4,482)
Disposals	(4,996)	(87)	(12)	(2)	(148)	(5,245)
Foreign exchange	1,579	32	14	11	86	1,722
Balance September 30, 2017	**$ 17,196**	**$ 621**	**$ 188**	**$ 163**	**$ 925**	**$ 19,093**
Depreciation	14,035	232	107	94	444	14,912
Disposals	(12,323)	(126)	-	-	(44)	(12,493)
Foreign exchange	768	26	8	6	40	848
Balance September 30, 2018	**$ 19,676**	**$ 753**	**$ 303**	**$ 263**	**$ 1,365**	**$ 22,360**

Net Book Value	Monitoring equipment	Computer equipment	Office furniture and fixtures	Leasehold improvements	Vehicles	Total
Balance September 30, 2016	$ 29,727	$ 1,220	$ 561	$ 743	$ 2,193	$ 34,444
Balance September 30, 2017	$ 17,770	$ 554	$ 290	$ 688	$ 1,329	$ 20,631
Balance September 30, 2018	$ 17,530	$ 420	$ 332	$ 1,101	$ 1,510	$ 20,888

The Company purchased a total of $14,084,000 in property and equipment and leased $13,318,000 in financing leases.

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

5. Acquisition of businesses and purchase accounting

On August 31, 2018, the Company executed a purchase agreement to acquire all the assets of Coastal Med-Tech Corp. (CMT), a Maine company, for a purchase consideration of $546,000 which was paid in cash. The Company has determined that the transaction is an acquisition of a business under IFRS 3 and it has been accounted for by applying the acquisition method.

CMT provides sales of nebulizers, oxygen concentrators, CPAP/BiPAP units, non-invasive ventilation equipment and supplies and traditional and non-traditional respiratory and durable medical equipment and services. The acquisition was performed due to synergies with company's existing business.

The purchase consideration allocated to the net assets acquired, based on their estimated fair values was as follows:

Fair value of Net Assets Acquired:

Accounts receivable	$	295
Cash and cash equivalents		42
Inventory		302
Capital assets		621
Accrued liabilities		(714)
	$	546
Consideration paid:		
Cash	$	546
		546

As part of the current assets acquired, the Company received accounts receivable with a fair value of $295,000. This was equivalent to the best estimate of contractual cash flows expected to be collected. Accrued liabilities acquired comprises of consultancy fee payable and accrual for payroll and other taxes. The fair value of consultancy fee was determined by discounting the stream of future payments at the prevailing market rate of 17% per annum over the term of the consultancy agreement of 3 years. Accrual for payroll and other taxes are assumed to be on fair value since these are repayable in less than 12 months and estimated based on actual amount of cash outflow expected.

The acquired business contributed revenue of $918,000 and net income of $106,000 to the group from September 1, 2018 to September 30, 2018. The Company expensed $113,000 of transaction costs during the year. Pro-forma revenues and net loss had the acquisition occurred October 1, 2017 were USD $5,010,000 and USD $1,306,000 respectively.

On March 1, 2016, Patient-Aids, Inc. closed a bolt-on acquisition focused on providing respiratory services to patients in the Ohio market where the Patient-Aids division currently operates. The fair value of total consideration was $2,506,000 in cash for the acquisition and incurred $170,000 of transaction related expenses which are included in selling, general, and administrative expenses for the period. Nil and $341,000 in purchase price payable remained outstanding at September 30, 2018 and 2017, respectively.

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

6. Goodwill and intangible assets

Cost	Goodwill	Non-compete agreements	Brand	Customer contracts	Customer relationships	Sub-total intangibles with finite lives	Total
Balance September 30, 2016	$ 24,384	$ 3,442	$ 8,185	$ 26,037	$ 37,935	$ 75,599	$ 99,983
Additions	-	-	-	-	34	34	34
Assets held for distribution	(17,612)	(1,680)	(3,020)	(16,060)	(15,623)	(36,383)	(53,995)
Impairment	(3,816)	(533)	(2,345)	(77)	(5,571)	(8,526)	(12,342)
Effect of changes in exchange rates	(1,183)	(584)	(1,146)	(5,247)	(5,914)	(12,891)	(14,074)
Balance September 30, 2017	$ 1,773	$ 645	$ 1,674	$ 4,653	$ 10,861	$ 17,833	$ 19,606
Disposals	-	-	-	-	(269)	(269)	(269)
Effect of changes in exchange rates	66	24	62	173	402	661	727
Balance September 30, 2018	$ 1,839	$ 669	$ 1,736	$ 4,826	$ 10,994	$ 18,225	$ 20,064

Accumulation amortization	Goodwill	Non-compete agreements	Brand	Customer contracts	Customer relationships	Sub-total intangibles with finite lives	Total
Balance September 30, 2016	$ -	$ 887	$ 1,070	$ 16,593	$ 9,891	$ 28,441	$ 28,441
Additions	-	238	418	2,354	1,237	4,247	4,247
Assets held for distribution	-	(978)	(879)	(20,043)	(4,549)	(26,449)	(26,449)
Effect of changes in exchange rates	-	362	301	5,737	1,432	7,832	7,832
Balance September 30, 2017	$ -	$ 509	$ 910	$ 4,641	$ 8,011	$ 14,071	$ 14,071
Additions	-	47	102	12	460	621	621
Disposals	-	-	-	-	(270)	(270)	(270)
Effect of changes in exchange rates	-	19	35	173	301	528	528
Balance September 30, 2018	$ -	$ 575	$ 1,047	$ 4,826	$ 8,502	$ 14,950	$ 14,950

Net carrying amount	Goodwill	Non-compete agreements	Brand	Customer contracts	Customer relationships	Sub-total intangibles with finite lives	Total
Balance September 30, 2016	$ 24,384	$ 2,555	$ 7,115	$ 9,444	$ 28,044	$ 47,158	$ 71,542
Balance September 30, 2017	$ 1,773	$ 136	$ 764	$ 12	$ 2,850	$ 3,762	$ 5,535
Balance September 30, 2018	$ 1,839	$ 94	$ 689	$ -	$ 2,492	$ 3,275	$ 5,114

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

6. Goodwill and intangible assets (continued)

Goodwill Continuity

	Balance as of September 30,2017	Impairment loss recognized during the year	Change due to foreign exchange	Balance as of September 30, 2018
Legacy	1,773	-	66	1,839

Cash Generating Unit value in use versus carrying value comparison

	Value in Use of CGU as of September 30, 2018	Carrying value of CGU as of September 30, 2018	Excess (deficit) of fair value over carrying value as of September 30, 2018
Legacy	10,004	5,337	4,667

Goodwill by CGU

The impairment is determined based on a value in use calculation which uses cash flow projections covering a four-year period and a discount rate of 17% per annum. The cash flows beyond the four-year period had been extrapolated using (terminal growth rates of 0%) per annum growth rate. Where the value in use for a particular CGU was less than the carrying amount of the assets, the recoverable amounts for those assets have been determined based on value in use model.

No impairment has been recognized in the current year as carrying value of the Legacy CGU exceeds value in use as of September 30, 2018 and 2017.

In September 2017, the Company's annual goodwill impairment testing determined that the carrying value of the Patient-Aids and Black Bear Inc. CGUs exceeded their value in use, and a result the Company recorded a goodwill impairment charge of $3,816,000 and an intangible impairment charge of $8,526,000 for Patient-Aids and Black Bear Inc. The impairment resulted from a decline in the expected performances of these businesses relative to expectations at the time the acquisitions were consummated.

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

7. Long-term debt and finance leases

	At September 30, 2018	At September 30, 2017
Finance lease obligations (a)	$ 13,905	$ 9,701
Unsecured subordinate debentures (b)	7,193	6,308
Total Long-term debt	21,098	16,009
Less:		
Current portion of finance lease obligations	(9,658)	(6,751)
Total current portion of long-term debt	(9,658)	(6,751)
Net long-term debt	$ 11,440	$ 9,258

(a) Various finance leases for equipment with an implied interest rate at fixed rates between 0.0% - 11.57%, due between 2017 and 2021.

(b) On August 27, 2014, the Company issued $8,625,000 in 7.5% Non-convertible Unsecured Subordinated Debentures due December 31, 2019. In connection with the new debt issued on August 27, 2014 the Company issued broker warrants to purchase 5,744,250 common shares. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.45 until August 27, 2019. As the Warrants had no assigned value, the value was calculated using Black-Scholes. The initial value of the Warrants of $2,576,000, together with transaction cost of $1,505,000, is netted against the carrying value of the debentures and accreted to interest expense using the effective interest rate method.

The fair value of the warrants as at year end was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.19%
Expected volatility	92.63%
Expected life of warrants	.9 year
Expected dividend yield	Nil

8. Financial instruments

Financial assets are classified as fair value through profit and loss (“FVTPL”), available for sale, held to maturity or loans and receivables. Financial liabilities are classified as either FVTPL or other liabilities. Initially, all financial assets and financial liabilities must be recorded on the Consolidated Statements of Financial Position at fair value with subsequent measurement determined by the classification of each financial asset and liability. Transaction costs related to FVTPL securities are expensed as incurred. Transaction costs related to other financial instruments are included in the carrying value of the instrument and then amortized using the effective interest method over the expected life of the instrument. Financial assets held to maturity, loans and receivables and financial liabilities other than FVTPL assets and liabilities are measured at amortized cost using the effective interest rate method. Available for sale financial assets are measured at fair value with changes in fair value reported in other comprehensive income until the financial asset is disposed of or becomes impaired.

The Company’s financial instruments include cash and cash equivalents, accounts receivable, trade payables and accrued liabilities, debentures, purchase price payable, current and long-term debt (excluding financing leases), conversion liability warrants and exchangeable shares of a subsidiary. The Company has classified its accounts receivable as loans and receivables, cash and cash equivalents, conversion liability warrants and exchangeable shares of a subsidiary as FVTPL, and trade and accrued liabilities, debentures, purchase price payable, and current and long-term debt (excluding financing leases) as other financial liabilities. Financial assets and liabilities are recorded net only when a legally enforceable right to offset exists and the Company intends to settle on a net basis while realizing the asset and settling the liability simultaneously.

8. Financial instruments (continued)

Derivative financial liability

Warrants with an exercise price denominated in a foreign currency and conversion features denominated in a foreign currency are recorded at fair value and classified as a derivative financial liability. The liability is initially measured at estimated fair value with subsequent changes in fair value recorded as a gain or loss in the consolidated statement of income and comprehensive income. As the warrants are exercised or debt converted, the value of the recorded liability will be included in share capital along with the proceeds from the exercise. If these warrants expire, the related liability is reversed through the consolidated statement of income and comprehensive income.

Exchangeable class A shares of certain subsidiaries

The non-voting Class A shares of certain subsidiaries which are exchangeable for shares of the Company on a one-to-one basis have been determined to contain an embedded derivative. The entire hybrid contract has been elected to be measured as a single instrument at fair value through profit and loss at initial recognition and is re-measured at each reporting period at fair value.

Fair value

Fair value represents the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on quoted market values and other valuation methods.

The fair value measurement disclosures include the classification of financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair market value of cash and cash equivalents are determined based on “level 1” inputs, which consist of quoted prices in active markets for identical assets. The fair value of the debentures, derivative liability warrants and exchangeable shares of subsidiary are based on “level 2” inputs. The fair value of the exchangeable shares of a subsidiary approximates a carrying value because of its measurement using market rates. The fair value of accounts receivable and trade and accrued liabilities approximate their carrying values because of their short-term nature. The fair values of the debentures and the long-term debt (excluding finance leases) approximate their carrying value due to the effective interest rates being comparable to market interest rates.

Accounting fair value derivatives on equity conversion options

The debentures and warrants conversion feature is denominated in Canadian dollars which is different from the functional currency of the Company (US dollars). The conversion feature is treated, per IFRS Fair Value Measurement requirements, as a derivative financial liability and the fair value movement during the period is recognized in the consolidated statement of income and comprehensive income. While the gain resulting from fair value measurement has no effect on (1) the cash position of the Company; (2) management’s analysis and decision making in execution and strategy of the business; (3) the financial health of the Company; (4) the future potential for revenue and profit growth and ability to finance that growth, IFRS rules dictate that these items be included in the year-end financial statements. The change in the value of warrants has been recorded as a loss on derivative financial liability in the Consolidated Statement of Net Loss and Comprehensive Loss (reference conversion liability warrants table below).

As the debentures are either repaid or converted to Common Stock, the loan balance and derivative financial liability will be eliminated, with the appropriate entries made to the Consolidate Statements of Financial Position and Consolidated Statement of income and comprehensive income.

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

8. Financial instruments (continued)

Issuance of Warrants

There were no additional warrants issued during the years ended September 30, 2018 and September 30, 2017.

Conversion Liability Warrants

		Values
Balance September 30, 2016	$	250
Exercise of warrants		(4)
Change in fair value		16
Balance September 30, 2017	$	262
Change in fair value		(167)
Balance September 30, 2018	$	95

Exchangeable shares of subsidiary

	Number of Shares (000's)		Values
Balance September 30, 2016	2,262	$	410
Change in fair value	-		(25)
Conversion of shares	(2,262)		(385)
Balance September 30, 2017	-		-

The outstanding exchangeable shares of subsidiary are revalued each reporting period to fair value and changes in fair value recorded as gain/loss on derivative financial liability in the condensed consolidated interim statements of loss and comprehensive loss. Fair value is determined using the company's closing stock price as the exchangeable shares are convertible on a one for one basis into Company stock anytime at the option of the holder.

9. Share capital

Capital

The Company considers its share capital to be shareholders' equity, which is comprised of share capital, contributed surplus, accumulated other comprehensive loss and deficit, in the amount of $19,270,000 as at September 30, 2018 and $89,025,000 at September 30, 2017.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital, convertible debentures raised by way of private placements and debt instruments.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and short-term guarantee deposits, held with major Canadian and US financial institutions.

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

9. Share capital (continued)

Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. The preferred shares issuable in series will have the rights, privileges, restrictions, and conditions assigned to the particular series upon the Board of Directors approving their issuance.

Issued share capital

The Company has only one class of stock outstanding, common stock. Effective December 31, 2018, the Company consolidated its issued and outstanding common shares on the basis of one post consolidation common share for every five pre-consolidation common shares.

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects. Other comprehensive income represents items such as the change in equity arising from unrealized gains and losses from financial instruments designated as available-for-sale and changes in fair value of derivatives designated as cash flow hedges and is presented as a separate component of shareholders' equity on the Consolidated Statements of Financial Position. The Company does not currently participate in hedging activities and does not have any other comprehensive income.

Warrants outstanding and exercisable

Year issued	Date of expiry	Type	Number of warrants (000's)	Weighted average exercise price ($)
2014	27-Aug-19	Warrant	358	0.95
Total			**358**	**0.95**

Warrants Continuity Schedule

	Number of warrants (Note 1 (d)) (000's)	Weighted average exercise price	
Balance September 30, 2016	5,381	$	8.40
Exercised	(1)		9.00
Expired	(179)		7.50
Balance September 30, 2017	5,201	$	8.45
Expired	(4,843)		(3.75)
Balance September 30, 2018	358	$	0.95

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

9. Share capital (continued)

Options

The Company has a stock option plan, which it uses for grants to directors, officers, employees and consultants. Options granted under the plan are non-assignable and may be granted for a term not exceeding ten years. Stock options generally either vest immediately or annually over a three-year period. A summary of stock options is provided below:

	Number of options (Note 1 (d)) (000's)		Weighted average exercise price
Balance September 30, 2016	5,013	$	4.5
Issued	1,400		0.9
Exercised	(7)		1.3
Forfeited	(2,594)		3.55
Balance September 30, 2017	3,812	$	2.59
Balance September 30, 2017	3,812	$	2.59
Issued	13,563		0.55
Cancelled	(3,481)		2.59
Exercised	(280)		0.90
Forfeited	(3,810)		0.81
Balance September 30, 2018	9,804	$	0.45

The Company had 3,810,000 of stock options forfeited during the fiscal year ended September 30, 2018 with a weighted average exercise price of $0.81. The Company had 2,594,000 of stock options forfeited during the fiscal year ended September 30, 2017 with a weighted average exercise price of $3.55. At September 30, 2018, the Company had 346,000 vested, exercisable stock options with a weighted average exercise price of $0.175. At September 30, 2017, the Company had 1,209,000 vested, exercisable stock options with a weighted average exercise price of $2.90.

As part of the Arrangement agreement (see Note 17), 3,481,000 options of the Company were cancelled and 3,149,000 new options reissued. The Company determined that the fair value of new options issued was higher to the old options cancelled by $459,000 and recorded it as stock-based compensation expense.

Stock-based compensation

The Company accounts for stock-based compensation, including stock options, using the fair value method as prescribed by IFRS 2. Under this method, the fair value of stock options at the date of grant is amortized over the vesting period and the offsetting credit is recorded as an increase in contributed surplus.

For the fiscal year ended September 30, 2018, the Company recorded total stock-based compensation expense of $2,128,000 including the amount related to fair value difference on options issued and cancelled on spin off. For the fiscal year ended September 30, 2017, the Company recorded negative stock-based compensation expense of ($1,500,000).

The fair value of the stock options has been charged to the statement of loss and comprehensive loss and credited to contributed surplus over the proper vesting period, using the Black-Scholes option pricing model calculated using the following assumptions:

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2017
Share price	$0.05	$0.9
Risk-free interest rate	2.36%	1.46%
Expected volatility	136.35%	123%
Expected life of option	10 Years	10 Years
Expected dividend yield	Nil	Nil

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

10. Commitments and Contingency

Leases

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lesser of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. The associated lease liability is drawn down over the life of the lease by allocating a portion of each lease payment to the liability with the remainder being recognized as finance charges.

Leases that do not transfer the risks and rewards of ownership to the Company are treated as operating leases and are expensed as incurred.

Operating leases

The Company leases certain facilities and medical equipment under the terms of non-cancelable operating leases. Future payments pursuant to these commitments are as follows:

Less than 1 year	$	2,008
Between 1 and 4 years		3,110
Five years or more		-
Total	$	5,118

Contingency

The Company has been in litigation with Lightwater Long Short Fund for the years ended September 30, 2018 and 2017, respectively. The litigation is due to Lightwater claiming damages for matter related to subscription agreements in a private placement. The contingency related to the claim could be up to $500 but management and legal believe that this lawsuit is without merit and is unpredictable. It is uncertain at this time to determine the outcome of this lawsuit or our potential liability, if any.

11. Expenses by Nature

		Year Ended September 30, 2018		Year Ended September 30, 2017
Included in cost of revenue:				
Inventory Expensed	$	21,841	$	20,189
All other		1,508		2,067
	$	23,349	$	22,256
Included in selling, general and administrative:				
Employee salary and benefits		23,823		23,219
Bad debt expense		5,226		15,862
Facilities		4,077		3,964
Patient marketing costs		827		1,106
All other		7,254		8,905
Total	$	41,207	$	53,056

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

12. Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes are measured using the current or substantively enacted tax rates expected to apply when the differences reverse. A deferred tax asset is recognized to the extent that the recoverability of deferred income tax assets is considered probable.

The Company's provision for (recovery of) income taxes differs from the amount that is computed by applying the combined federal and state statutory income tax rate of 30.28% in the United States to the Company's net income (loss) before income follows:

Income taxes

	Year ended September 30, 2018	Year ended September 30, 2017
Net loss before recovery of income taxes	$ 6,837	$ 26,654
Expected income tax recovery	(2,070)	(10,661)
Difference in foreign tax rates	53	161
Tax rate changes and other adjustments	5,388	(5,012)
Stock based compensation	993	332
State taxes	130	(390)
Goodwill Impairment	-	956
Other adjustments	(31)	-
Prior period adjustments	(724)	-
FX adjustments	(417)	-
Deferred tax assets not recognized in the year	(3,192)	15,054
	$ 130	$ 440
The Company's income tax provision (recovery) is allocated as follows:		
Current tax provision	130	$ 440
Deferred tax provision	-	-
	$ 130	$ 440

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

12. Income taxes (continued)

Deferred tax

The following table summarizes the components of deferred tax:

	Year ended September 30, 2018	Year ended September 30, 2017
Deferred Tax Assets		
Non-capital losses carried forward – Canada	$ -	$ 626
Net operating losses – US	3,471	3,609
Allowance for bad debts – US		
Deferred Tax Liabilities		
Property, plant and equipment – US	(3,440)	(2,701)
Receivable on sale – US	(31)	-
Intangible asset – US	-	(908)
Debentures – Canada	-	(626)
Net deferred taxes	$ -	$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying number of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	Year ended September 30, 2018	Year ended September 30, 2017
Intangible asset	$ 311	$ 334
Allowance for bad debts	11,406	16,533
Non-capital losses – United States	13,304	71
Share issuance costs	1,265	2,959
Net capital losses carried forward	1,327	1,327
Non-capital losses – Canada	23,827	18,202
Other temporary differences	21,070	30,881

The Canadian non-capital loss carry-forwards expire noted in the table below. The US loss carry-forwards expire as noted in 2037. Share issue and financing costs will be fully amortized in 2019. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future profit will be available against which the Company can utilize the benefits therefrom.

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

12. Income taxes (continued)

The Company's Canadian non-capital income tax losses expire as follows:

2027	$	920
2028		96
2029		27
2030		245
2031		374
2032		425
2033		2,205
2034		11,882
2035		1,148
2036		3,073
2037		3,432
	$	23,827

13. Financial instrument risk exposure

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are undertaken to support the Company's ability to continue as a going concern. Risk management is carried out by management under policies promulgated by the Board of Directors. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk are primarily cash and accounts receivable. Each subsidiary places its cash with one major financial institution. At times, the cash in the financial institution is temporarily more than the amount insured by the Federal Deposit Insurance Corporation. Substantially all accounts receivable is due under fee-for-service contracts from third party payors, such as insurance companies and government-sponsored healthcare programs, directly from patients or for rebates due from manufacturers. Receivables generally are collected within industry norms for third-party payors and from manufacturers. The Company continuously monitors collections from its clients and maintains an allowance for bad debts based upon any specific payor collection issues that are identified and historical experience.

As of September 30, 2018 and September 30, 2017, no one customer represented more than 10% of outstanding accounts receivable. The Company does have more than 10% of receivables through Medicare. As this is a Federal program there is very little credit risk associated with these balances.

Consolidated Accounts Receivable Aging (in days):

3 months	4 – 6 months	7 to 9 months	Over 9 months	Total, Net Accounts Receivable	Allowance for Doubtful Accounts
$ 7,722	$ 2,602	$ 1,442	$ 756	$ 12,522	$ 11,406

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

13. Financial instrument risk exposure (continued)

Currency risk

Currency risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities.

Although the Company uses the Canadian dollar as its reporting currency, it realizes 100% of its sales and makes a significant amount of purchases in US dollars, therefore subjecting the Company to constant foreign exchange exposure. The Company monitors and forecasts the values of statement of financial position exposures and from time to time could authorize the use of derivative financial instruments such as forward foreign exchange contracts to economically hedge a portion of foreign currency fluctuations. As the Company maintains nearly all its operating assets in the US, the foreign exchange risk is reporting only, not realized, therefore no exchange contracts have been deemed appropriate.

Based on the above net exposure at September 30, 2018 and September 30, 2017, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an insignificant effect in net loss. The Company has not employed any currency hedging programs during the years ended September 30, 2018 and 2017.

The following are the values of financial instruments denominated in US dollars at year end:

		2018		2017
Cash and cash equivalents	$	4,331	$	3,391
Accounts Receivable	$	12,522	$	9,519
Trade Payables and Accrued Liabilities	$	8,642	$	9,597
Debt	$	21,098	$	16,009

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due by continuously monitoring actual and budgeted cash flows and monitoring financial market conditions for signs of weakness.

As of September 30, 2018, the Company faces no material liquidity risk and is able to meet all its current financial obligations as they become due and payable. The Company has $18,395,000 liabilities that are due within one year but has approximately $22,982,000 of current assets to meet those obligations.

Liabilities due in less than one year include $95,000 of conversion liability warrants and exchangeable shares of subsidiaries. The conversion or exchange of warrants or shares will result in the liability moving to the Shareholders' equity section of the Consolidated Statements of Financial Position and will not adversely affect the cash position of the Company.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with Chartered Canadian and registered US financial institutions. The Company considers this risk to be immaterial. The interest on the debenture is not subject to cash flow interest rate risk as these instruments bear interest at fixed rates.

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

14. Income/(Loss) per share

Loss per common share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares by assuming the proceeds received from the exercise of stock options and warrants are used to purchase common shares at the prevailing market rate. There is no impact on diluted loss per share because it is antidilutive. For the purpose of loss per common share calculations, the exchangeable Class A common shares of a subsidiary are treated as though they were exchanged.

Loss per share is based on the consolidated loss for the year divided by the weighted average number of shares outstanding during the period. Diluted loss per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

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

		Fiscal year ended September 30, 2018		Fiscal year ended September 30, 2017
Net loss after taxes from continuing operations	$	(6,967)	$	(27,094)
Net income after taxes from discontinued operations	$	25,714	$	3,335
Basic weighted average number of shares		75,757		75,417
Diluted weighted average number of shares		80,744		75,417
Basic – continuing operations	$	(0.09)	$	(0.36)
Basic – discontinued operations	$	0.34	$	0.04
Diluted – continuing operations	$	(0.09)	$	(0.36)
Diluted - discontinued operations	$	0.32	$	0.04

The outstanding warrants and stock options for the fiscal year ended September 30, 2017 were excluded from the calculation of the above diluted loss per share because their effect is anti-dilutive.

On January 3, 2017, the holders of the 452,400 exchangeable shares of subsidiaries issued in connection with the acquisition of Black Bear, Black Bear North and Black Bear NH (refer to Note 8) converted the shares into fully paid common shares of the Company. The common shares are included in the weighted average number of shares from the date of issuance of the exchangeable shares of subsidiaries. Before the date of issuance, the shares were excluded from the calculation of the above diluted loss per share because their effect is anti-dilutive.

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

15. Related party transactions

On October 1, 2015, the Company entered into a market rate, seven-year, four separate lease agreements for office/warehouse space and retail space with a rental company affiliated with the Company's Chief Executive Officer. There are four separate leases, for four different locations, with a combined area of approximately 61,820 sq. Ft. Rental payments under this lease agreement are approximately US $43,000 per month, plus taxes, utilities and maintenance. The expense has been recorded as selling, general and administrative expenses.

Expenses of US $138,250 and US $362,500 related to the bonus and fees were paid for years ended September 30, 2018 and 2017, respectively.

All transactions are at the exchange amount and any amounts outstanding are unsecured and non-interest bearing.

Management personnel also participate in the Company's share option program, see Note 9 to reference the compensation amount below. In addition to the above agreements, the Company paid or accrued key management personnel the following:

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2017
Salaries and Benefits	$ 1,073	$ 1,123
Stock-Based Compensation (Note 9)	1,614	1,152
Total	$ 2,687	$ 2,275

16. Discontinued Operations

On December 21, 2017 the Company received shareholder approval on the Asset and Share Purchase Agreements as well as an Arrangement Agreement with Viemed Healthcare, Inc. ("Viemed"). As of September 30, 2017, Viemed was classified as a separate disposal group held for distribution and as discontinued operation.

The major classes of assets and liabilities of Viemed classified as held for distribution as at September 30, 2017 are as follows:

	Year Ended September 30, 2017
Cash	$ 9,077
Accounts receivable	6,186
Inventory	2,007
Prepaid and other	424
Fixed assets	23,165
Goodwill and intangibles	36,568
Assets held for distribution	$ 77,427
Accounts payable and accrued liabilities	$ 4,957
Financial leases payable	7,026
Liabilities held for distribution	$ 11,983

(Tabular dollar amounts expressed in thousands of Canadian Dollars, except per share amounts)

16. Discontinued Operations (continued)

Net income on discontinued operations, net of income taxes, is as follows:

	2018	2017
Revenue	$ 15,005	$ 55,784
Cost of revenue	1,216	5,196
Gross margin	$ 13,789	$ 50,588
Expenses:		
Selling, general and administrative	8,055	34,029
Depreciation	815	2,951
Amortization	616	10,034
Other expense	113	634
Income tax expense	(15)	(395)
Net income from discontinued operations	$ 4,205	$ 3,335

17. Gain on settlement of distribution liability

A plan of arrangement involving Viemed, a newly incorporated company was completed after a shareholder vote, as of close of business on December 21, 2017. Under this Arrangement agreement, all shareholders received one new PHM common share (a “New PHM Share”) and one-tenth (1/10) of one common share of Viemed (a “Viemed Share”) for each common share of PHM held by such Shareholder immediately prior to the completion of the Arrangement. Also in connection with the Arrangement, (a) for each stock option of PHM held, each option holder that remains employed or engaged by PHM will receive one option to purchase one New PHM Share (a “New PHM Option”) and PHM option holders employed or engaged by Viemed received one New PHM Option (which expired three months following completion of the Arrangement) and one tenth (1/10) of one option to purchase from Viemed one Viemed Share, and (b) for each common share purchase warrant of PHM held, each warrant holder received one warrant to purchase from PHM one New PHM Share (a “New PHM Warrant”) and one tenth (1/10) of one warrant to purchase from Viemed one Viemed Share. The New PHM Options were issued pursuant to the PHM stock option plan which was approved by Shareholders at an annual and special meeting of Shareholders held on December 15, 2017.

The New PHM Shares commenced trading on the TSX Venture Exchange (the “TSXV”) on December 22, 2017 under the stock symbol “PHM”, and PHM’s outstanding 7.5% non-convertible unsecured subordinated debentures maturing on December 31, 2019, continued to trade under the symbol “PHM.DB.”.

The Company accounted for the distribution in accordance with IFRIC 17, Distribution of Non-Cash Assets to Owners, which required the assets being distributed to be recognized at fair value. The Company used significant judgement related to the fair value measurement of assets and liabilities distributed pursuant to the Arrangement. The estimates required management to exercise judgement concerning valuation approaches and methods, estimates of future cash flows, and discount rates. The company used discounted cash flow approach to calculate fair market value of Viemed as at the valuation date using discount rate of 16%. In performing the discounted cash flow analysis, management forecasted cash flows from the fiscal 10-day period ending December 31, 2017 to fiscal 2021 plus a terminal period. The distribution amount being the fair value of Viemed of $93,290,000 was set up as a distribution liability with a corresponding charge to deficit and accumulated comprehensive income (loss).

The assets and liabilities which were distributed to the Company’s shareholders in connection with the spin-off of Viemed on December 21, 2017 pursuant to the Arrangement comprised of cash of $7,856,000 accounts receivable of $11,811,000, prepaid and other assets of $2,829,000, property and equipment of $27,323,000, intangibles of $18,761,000, goodwill of $18,005,000 accounts payable and accrued liabilities of $8,390,000 and capital lease payables of $6,608,000. Total carrying value of net assets distributed on spin off was $71,587,000. A net gain of $21,509,000 was recorded on the spin-out after taking into account transaction expenses.

18. Subsequent Events

Bought deal and non-brokered private placement

On November 2, 2018, the Company completed bought deal offering of 5,649,600 common shares of the Company at a price of $0.6 per share for aggregate gross proceeds to the company of $3,390,000. An issuance cost of $278,000 was incurred. Along with this bought deal private placement, the Company also completed is previously announced non-brokered private placement of common shares of the Company at the issue price for gross proceeds to the Company of $1,100,000. A total of 1,833,333 common shares of the Company were sold pursuant to the non-brokered private placement to officers and directors. Between the brokered bought deal and the non-brokered private placement, the Company raised a total of $4,490,000.

Consolidation of shares

Effective December 31, 2018, the Company consolidated its common shares on the basis of one (1) new post-consolidation common share for every five (5) pre-consolidation common shares. The consolidation will affect shareholders uniformly, including holders of outstanding incentive stock options, warrants and other securities convertible into exercisable for common shares on the effective date.

Riverside Medical, Inc.

On October 31, 2018, the Company, through one of its indirect wholly owned subsidiary, PHM Logistics Corporation (PHM Logistics), entered into a purchase agreement to acquire 100% shares of Riverside Medical Inc. (Riverside), a Tennessee company and participating Medicare provider that provides i) nebulizers, oxygen concentrators, and CPAP and BiPAP units; ii) traditional and non-traditional durable medical respiratory equipment and services; and iii) non-invasive ventilation equipment, supplies and services. In consideration, company paid cash of USD $100 and agreed to cause the scheduled debt, up to an aggregate amount of USD $108,000 to be satisfied in full and assumed debt in an aggregate amount of USD $97,000. The shareholders of Riverside, before acquisition, have guaranteed the scheduled debt and assumed debt and agreed that USD $25,000, representing a portion of the Scheduled debt and Assumed debt, shall constitute an advance to the shareholders by the company, however, the above shareholder advance will be forgiven by the company in the event the Company achieves annual cash collections of not less than USD $750,000 in calendar year ending December 31, 2019; provided however, in the event both shareholders are terminated without cause, during calendar year 2019, the shareholder advance shall be forgiven in full.

Pro-forma Riverside revenues and net income had the acquisition occurred October 1, 2018 were USD $306,000 and USD $4,000, respectively. The Company is in the process of gathering the information required to allocate the purchase price to the acquired tangible and intangible assets as of the acquisition date.

Simultaneously, as a condition to the finalization of above purchase agreement, PHM Logistics, entered into a 3-year noncompetition agreement and employment agreement with the previous shareholders of Riverside.

Central Oxygen, Inc.

On October 31, 2018, the Company, through one of its indirect wholly owned subsidiary, PHM Logistics, entered into a purchase agreement to acquire 100% shares of Central Oxygen Inc. (Central Oxygen), an Indiana company and participating Medicare provider that provides i) power mobility equipment, vehicle lifts, nebulizers, oxygen concentrators, and CPAP and BiPAP units; ii) traditional and non-traditional durable medical equipment respiratory and durable medical equipment and services; and iii) non-invasive ventilation equipment, supplies and services. The maximum to be paid is USD $475,000. Of the total consideration, USD $300,000 was paid on closing. USD $50,000 is payable in two instalments of $25,000 each on each of the 6-month anniversary and one-year anniversary of the closing date. Remaining USD $125,000 was settled in

PHM stock. Pro-forma Central Oxygen revenues and net loss had the acquisition occurred October 1, 2018 were USD $768 and USD ($84,000), respectively. The Company is in the process of gathering the information required to allocate the purchase price to the acquired tangible and intangible assets as of the acquisition date.

Simultaneously, as a condition to the finalization of above purchase agreement, PHM Logistics, entered into a 5-year noncompetition agreement and agreed to pay USD$125,000 in consideration. Of the total consideration, USD$50,000 was paid on closing and USD$75,000 is payable in 12 consecutive equal monthly instalments of USD$6,200 each commencing on November 30, 2018 through and including October 31, 2019.