

Interim Condensed Consolidated Financial Statements of

# **MEDICAL FACILITIES CORPORATION**

For the three and six months ended June 30, 2024  
(Unaudited)  
(In U.S. dollars)

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# MEDICAL FACILITIES CORPORATION

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

	Note	June 30, 2024 \$ (Unaudited)	December 31, 2023 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		17,981	24,113
Accounts receivable		56,555	61,766
Supply inventory		9,432	9,008
Prepaid expenses and other receivables		5,326	7,137
Income tax receivable		1,538	733
<b>Total current assets</b>		<b>90,832</b>	<b>102,757</b>
<b>Non-current assets</b>			
Deferred income tax assets		107	70
Property and equipment		80,597	79,617
Right-of-use assets		37,099	40,566
Goodwill		120,623	120,623
Other intangibles		10,983	11,252
<b>Total non-current assets</b>		<b>249,409</b>	<b>252,128</b>
<b>TOTAL ASSETS</b>		<b>340,241</b>	<b>354,885</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Dividends payable		1,582	1,503
Accounts payable		18,829	23,152
Accrued liabilities		21,073	20,694
Income tax payable		177	10
Obligation for purchase of common shares	7	2,977	2,136
Current portion of long-term debt		17,157	14,350
Current portion of lease liabilities		8,381	9,159
Government stimulus funds repayable	4	11,957	11,957
<b>Total current liabilities</b>		<b>82,133</b>	<b>82,961</b>
<b>Non-current liabilities</b>			
Long-term debt		34,904	38,749
Lease liabilities		35,896	38,551
Deferred income tax liability		17,702	20,234
Corporate credit facility		6,000	16,000
Exchangeable interest liability		53,832	40,087
<b>Total non-current liabilities</b>		<b>148,334</b>	<b>153,621</b>
<b>Total liabilities</b>		<b>230,467</b>	<b>236,582</b>
<b>Equity</b>			
Share capital		341,571	348,099
Contributed surplus		742	716
Accumulated deficit		(264,464)	(262,827)
<b>Equity attributable to owners of the Corporation</b>		<b>77,849</b>	<b>85,988</b>
Non-controlling interest		31,925	32,315
<b>Total equity</b>		<b>109,774</b>	<b>118,303</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>340,241</b>	<b>354,885</b>

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

# MEDICAL FACILITIES CORPORATION

Interim Condensed Consolidated Statements of Changes in Equity

(In thousands of U.S. dollars)

(Unaudited)

	Note	Attributable to Owners of the Corporation			Total	Non-controlling Interest	Total Equity
		Share Capital	Contributed Surplus	Accumulated Deficit			
		\$	\$	\$	\$	\$	
<b>2024</b>							
Balance at January 1, 2024		348,099	716	(262,827)	85,988	32,315	118,303
Net income and comprehensive income for the period		-	-	1,400	1,400	13,705	15,105
Stock options expense	14.1	-	26	-	26	-	26
Dividends to owners of the Corporation		-	-	(3,037)	(3,037)	-	(3,037)
Distributions to non-controlling interest		-	-	-	-	(14,095)	(14,095)
Purchase of common shares under normal course issuer bids	6	(5,687)	-	-	(5,687)	-	(5,687)
Change in obligation for purchase of common shares	7	(841)	-	-	(841)	-	(841)
<b>Balance at June 30, 2024</b>		<b>341,571</b>	<b>742</b>	<b>(264,464)</b>	<b>77,849</b>	<b>31,925</b>	<b>109,774</b>
<b>2023</b>							
Balance at January 1, 2023		353,237	1,192	(275,295)	79,134	35,558	114,692
Net income and comprehensive income for the period		-	-	7,735	7,735	11,160	18,895
Stock options expense, net of gain on forfeitures	14.1	-	(517)	-	(517)	-	(517)
Dividends to owners of the Corporation		-	-	(3,049)	(3,049)	-	(3,049)
Distributions to non-controlling interest		-	-	-	-	(13,601)	(13,601)
Redemption of non-controlling interest in MFC Nueterra ASCs		-	-	-	-	(8)	(8)
Purchase of common shares under normal course issuer bids	6	(4,474)	-	-	(4,474)	-	(4,474)
Change in obligation for purchase of common shares	7	1,742	-	-	1,742	-	1,742
<b>Balance at June 30, 2023</b>		<b>350,505</b>	<b>675</b>	<b>(270,609)</b>	<b>80,571</b>	<b>33,109</b>	<b>113,680</b>

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# MEDICAL FACILITIES CORPORATION

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

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2024 \$	2023 \$	2024 \$	2023 \$
<b>Revenue and other income</b>					
Facility service revenue		107,175	109,488	215,433	218,738
		<b>107,175</b>	<b>109,488</b>	<b>215,433</b>	<b>218,738</b>
<b>Operating expenses</b>					
Salaries and benefits		33,199	32,680	66,347	66,202
Drugs and supplies		33,997	37,006	68,823	74,008
General and administrative expenses		17,111	18,577	35,119	38,158
Depreciation of property and equipment		2,224	2,428	4,492	4,875
Depreciation of right-of-use assets		2,531	2,727	5,004	5,403
Amortization of other intangibles		136	518	269	1,035
		<b>89,198</b>	<b>93,936</b>	<b>180,054</b>	<b>189,681</b>
<b>Income from operations</b>		<b>17,977</b>	<b>15,552</b>	<b>35,379</b>	<b>29,057</b>
<b>Finance costs</b>					
Change in value of exchangeable interest liability		8,559	2,015	13,745	712
Interest expense on exchangeable interest liability		1,707	1,731	3,755	3,581
Interest expense, net of interest income	11	1,234	1,565	2,521	3,201
Loss on foreign currency		11	10	54	14
		<b>11,511</b>	<b>5,321</b>	<b>20,075</b>	<b>7,508</b>
<b>Income before income taxes</b>		<b>6,466</b>	<b>10,231</b>	<b>15,304</b>	<b>21,549</b>
Income tax expense (recovery)	10	(178)	1,002	199	2,654
<b>Net income and comprehensive income for the period</b>		<b>6,644</b>	<b>9,229</b>	<b>15,105</b>	<b>18,895</b>
<b>Attributable to:</b>					
Owners of the Corporation		(370)	3,324	1,400	7,735
Non-controlling interest		7,014	5,905	13,705	11,160
		<b>6,644</b>	<b>9,229</b>	<b>15,105</b>	<b>18,895</b>
<b>Earnings (loss) per share attributable to owners of the Corporation</b>					
Basic	5	\$ (0.02)	\$ 0.13	\$ 0.06	\$ 0.30
Fully diluted	5	\$ (0.02)	\$ 0.13	\$ 0.06	\$ 0.30

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

# MEDICAL FACILITIES CORPORATION

Interim Condensed Consolidated Statements of Cash Flows

(In thousands of U.S. dollars)

(Unaudited)

	Note	Six Months Ended June 30,	
		2024	2023
		\$	\$
<b>Cash flows from operating activities</b>			
Net income for the period		15,105	18,895
Adjustments for:			
Depreciation of property and equipment		4,492	4,875
Depreciation of right-of-use assets		5,004	5,403
Amortization of other intangibles		269	1,035
Change in value of exchangeable interest liability		13,745	712
Interest expense on exchangeable interest liability		3,755	3,581
Interest expense, net of interest income	11	2,521	3,201
Loss on foreign currency		54	14
Income tax expense	10	199	2,654
Stock options expense, net of gain on forfeitures	14.1	26	(517)
		45,170	39,853
Net changes in non-cash operating working capital	8	2,654	5,970
		47,824	45,823
Interest paid, net of received		(5,093)	(5,479)
Income and withholding taxes paid		(3,406)	(3,228)
<b>Net cash provided by operating activities</b>		<b>39,325</b>	<b>37,116</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(5,472)	(5,394)
Redemption of non-controlling interest in MFC Nueterra ASCs		-	(8)
<b>Net cash used in investing activities</b>		<b>(5,472)</b>	<b>(5,402)</b>
<b>Cash flows from financing activities</b>			
Net repayments of revolving credit facilities and issuance of notes payable		(8,381)	(7,536)
Repayments of notes payable by the Facilities		(2,657)	(3,563)
Payment of lease liabilities		(6,153)	(6,445)
Distributions to non-controlling interest		(14,095)	(13,601)
Dividends paid		(2,958)	(3,058)
Purchase of common shares under normal course issuer bids	6	(5,687)	(4,474)
<b>Net cash used in financing activities</b>		<b>(39,931)</b>	<b>(38,677)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(6,078)</b>	<b>(6,963)</b>
Effect of exchange rate fluctuations on cash balances held		(54)	(14)
Cash and cash equivalents, beginning of the period		24,113	34,926
<b>Cash and cash equivalents, end of the period</b>		<b>17,981</b>	<b>27,949</b>

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

# MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements  
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)  
For the three and six months ended June 30, 2024  
(Unaudited)

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## 1. REPORTING ENTITY

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

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

On April 1, 2024, Black Hills Surgical Hospital, LLP sold its 100.0% ownership interest in an urgent care center located in Gillette, Wyoming, and recorded an immaterial gain in general and administrative expenses in connection with this transaction.

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

Subsidiary	Location	Ownership Interest June 30,	
		2024	2023
Arkansas Surgical Hospital, LLC (“ASH”)	North Little Rock, Arkansas	51.0%	51.0%
Oklahoma Spine Hospital, LLC (“OSH”)	Oklahoma City, Oklahoma	64.0%	64.0%
Black Hills Surgical Hospital, LLP (“BHSH”)	Rapid City, South Dakota	54.2%	54.2%
Sioux Falls Specialty Hospital, LLP (“SFSH”)	Sioux Falls, South Dakota	51.0%	51.0%
The Surgery Center of Newport Coast (“SCNC”)	Newport Beach, California	51.0%	51.0%
MFC Nueterra ASCs <sup>(1)</sup>	Various	-	46.2%

<sup>(1)</sup> As of June 30, 2023, the Corporation had an average ownership interest of 46.2% in three ASCs situated in Michigan, Missouri, and Nebraska. The Corporation completed the divestiture of all MFC Nueterra ASCs during the year ended December 31, 2023.

## 2. STATEMENT OF COMPLIANCE

These unaudited interim condensed consolidated financial statements (“consolidated financial statements”) have been prepared in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board using the accounting policies as described in the audited consolidated financial statements for the year ended December 31, 2023 (“annual financial statements”).

These consolidated financial statements were approved for issue by the Corporation’s Board of Directors on August 5, 2024.

# MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements  
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)  
For the three and six months ended June 30, 2024  
(Unaudited)

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## 3. BASIS OF PREPARATION

These consolidated financial statements do not contain all of the disclosures that are required in annual financial statements prepared under International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the Corporation’s annual financial statements, which include information necessary or useful to understand the Corporation’s business and financial statement presentation.

Income from operations for the interim period is not necessarily indicative of the results for the full year. Facility service revenue and certain directly related expenses are subject to seasonal fluctuations due to the timing of case scheduling, which can be impacted by the vacation schedules of surgeons, as well as the extent to which patients have remaining deductibles on their insurance coverage, based on the time of year. Occupancy related expenses, certain operating expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.

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

## 4. GOVERNMENT STIMULUS

The *Coronavirus Aid, Relief, and Economic Security (CARES) Act* (the “CARES Act”) was signed into law on March 27, 2020 in response to COVID-19. The CARES Act included provisions for financial assistance to healthcare providers via, among other provisions, the Paycheck Protection Program (“PPP”).

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

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

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

Subsequent to the divestiture of the MFC Nueterra ASCs during the year ended December 31, 2023, there remained a balance of \$11,957 in the government stimulus funds repayable in the interim condensed consolidated balance sheet as of June 30, 2024 (December 31, 2023: \$11,957). See Note 16 for updates subsequent to June 30, 2024.



# MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements  
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)  
For the three and six months ended June 30, 2024  
(Unaudited)

## 5. EARNINGS (LOSS) PER SHARE

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

	Three Months Ended June 30,	
	2024	2023
Net income (loss) for the period attributable to owners of the Corporation	\$ (370)	3,324
Divided by weighted average number of common shares outstanding for the period	24,304,598	25,345,146
<b>Basic earnings (loss) per share</b>	<b>\$ (0.02)</b>	<b>0.13</b>

  

	Six Months Ended June 30,	
	2024	2023
Net income for the period attributable to owners of the Corporation	\$ 1,400	7,735
Divided by weighted average number of common shares outstanding for the period	24,442,496	25,522,635
<b>Basic earnings per share</b>	<b>\$ 0.06</b>	<b>0.30</b>

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

	Three Months Ended June 30,	
	2024	2023
Net income (loss) for the period attributable to owners of the Corporation	\$ (370)	3,324
Change in value of exchangeable interest liability (tax effected)	-	-
Interest expense on exchangeable interest liability	-	-
Modified net income (loss) for the period attributable to owners of the Corporation	\$ (370)	3,324
Weighted average number of common shares:		
Outstanding for the period	24,304,598	25,345,146
Deemed to be issued on the exchange of the outstanding exchangeable interest liability	-	-
Deemed to be issued as stock options	-	-
Weighted average number of common shares <sup>(1)</sup>	24,304,598	25,345,146
<b>Fully diluted earnings (loss) per share</b>	<b>\$ (0.02)</b>	<b>0.13</b>

<sup>(1)</sup> For the three months ended June 30, 2024 and June 30, 2023, the impact of exchangeable interest liability and stock options was excluded from the dilutive weighted average number of common shares calculation because it was not applicable based on the share price prevailing at June 30, 2024 and June 30, 2023, respectively.

	Six Months Ended June 30,	
	2024	2023
Net income for the period attributable to owners of the Corporation	\$ 1,400	7,735
Change in value of exchangeable interest liability (tax effected)	-	-
Interest expense on exchangeable interest liability	-	-
Modified net income for the period attributable to owners of the Corporation	\$ 1,400	7,735
Weighted average number of common shares:		
Outstanding for the period	24,442,496	25,522,635
Deemed to be issued on the exchange of the outstanding exchangeable interest liability	-	-
Deemed to be issued as stock options	-	-
Weighted average number of common shares <sup>(1)</sup>	24,442,496	25,522,635
<b>Fully diluted earnings per share</b>	<b>\$ 0.06</b>	<b>0.30</b>

<sup>(1)</sup> For the six months ended June 30, 2024 and June 30, 2023, the impact of exchangeable interest liability and stock options was excluded from the dilutive weighted average number of common shares calculation because it was not applicable based on the share price prevailing at June 30, 2024 and June 30, 2023, respectively.

# MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements  
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)  
For the three and six months ended June 30, 2024  
(Unaudited)

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## 6. NORMAL COURSE ISSUER BIDS

The Corporation has a normal course issuer bid for up to 2,481,256 of its common shares in effect from December 1, 2023 to November 30, 2024. During the six months ended June 30, 2024, the Corporation purchased 675,700 of its common shares for a total consideration of \$5,687 from the open market under this normal course issuer bid. During the six months ended June 30, 2023, the Corporation purchased 734,000 of its common shares for a total consideration of \$4,474 from the open market under a previous normal course issuer bid.

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

## 7. OBLIGATION FOR PURCHASE OF COMMON SHARES

The Corporation entered into an automatic share purchase plan with a broker that allows the purchase of common shares for cancellation under the normal course issuer bid, including block purchases, in accordance with certain prearranged trading parameters, at any time during predetermined trading blackout periods. An obligation for purchase of common shares of \$2,977 was recognized under the automatic share purchase plan as of June 30, 2024 (December 31, 2023: \$2,136), including applicable buyback taxes. Subsequent to the period end, the Corporation purchased 228,300 of its common shares for a total consideration of \$2,234 under the automatic share purchase plan, through August 5, 2024.

## 8. NET CHANGES IN NON-CASH WORKING CAPITAL

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

	Six Months Ended June 30,	
	2024	2023
	\$	\$
Accounts receivable	5,211	6,417
Supply inventory	(424)	(824)
Prepaid expenses and other receivables	1,811	2,686
Accounts payable	(4,323)	(674)
Accrued liabilities	379	(1,635)
<b>Net changes in non-cash working capital</b>	<b>2,654</b>	<b>5,970</b>

## 9. FINANCIAL INSTRUMENTS

### 9.1 Fair values and classification of financial instruments

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

# MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements  
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)  
For the three and six months ended June 30, 2024  
(Unaudited)

## 9. FINANCIAL INSTRUMENTS (Continued)

The following table presents the carrying values and classification of the Corporation's financial instruments as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
	\$	\$
<b>Financial assets</b>		
Fair value through profit or loss		
Cash and cash equivalents	17,981	24,113
Amortized cost		
Accounts receivable	56,555	61,766
<b>Financial liabilities</b>		
Fair value through profit or loss		
Exchangeable interest liability	53,832	40,087
Amortized cost		
Dividends payable	1,582	1,503
Accounts payable	18,829	23,152
Accrued liabilities	21,073	20,694
Income tax payable	177	10
Obligation for purchase of common shares	2,977	2,136
Corporate credit facility	6,000	16,000
Long-term debt	52,061	53,099

The following tables represent the fair value hierarchy of the Corporation's financial instruments that were recognized at amortized cost or fair value through profit or loss as of June 30, 2024 and December 31, 2023. They do not include fair value information for financial instruments which are short-term in nature.

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	17,981	-	-	17,981
<b>Financial liabilities</b>				
Exchangeable interest liability	-	53,832	-	53,832
Corporate credit facility	-	6,000	-	6,000
Long-term debt	-	52,061	-	52,061
<b>Total</b>	<b>17,981</b>	<b>111,893</b>	<b>-</b>	<b>129,874</b>

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

# MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements  
(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)  
For the three and six months ended June 30, 2024  
(Unaudited)

## 9. FINANCIAL INSTRUMENTS (Continued)

### 9.2 Measurement of fair values

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

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

## 10. INCOME TAXES

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

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

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

Provision for income taxes	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Current	1,486	1,038	2,768	1,993
Deferred	(1,664)	(36)	(2,569)	661
<b>Income tax expense (recovery)</b>	<b>(178)</b>	<b>1,002</b>	<b>199</b>	<b>2,654</b>

# MEDICAL FACILITIES CORPORATION

Notes to the Interim Condensed Consolidated Financial Statements

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

For the three and six months ended June 30, 2024

(Unaudited)

## 11. INTEREST EXPENSE, NET OF INTEREST INCOME

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Interest expense at the Facility level	575	487	1,164	981
Interest expense at the corporate level	133	532	352	1,076
Interest expense on lease liabilities	590	649	1,183	1,303
Corporate credit facility stand-by fees	66	101	128	201
Interest income at the Facility level	(57)	(62)	(116)	(93)
Interest income at the corporate level	(73)	(142)	(190)	(267)
<b>Interest expense, net of interest income</b>	<b>1,234</b>	<b>1,565</b>	<b>2,521</b>	<b>3,201</b>

## 12. RELATED PARTY TRANSACTIONS

### 12.1 Related party transactions

A member of the Corporation's Board of Directors is a minority owner of a Facility of the Corporation and a member of an ownership group that owns and leases hospital real estate to the Facility, for which the Facility paid rent for the six months ended June 30, 2024 of \$2,251 (June 30, 2023: \$2,251)

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

### 12.2 Other transactions

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

# MEDICAL FACILITIES CORPORATION

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

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## 13. COMMITMENTS AND CONTINGENCIES

### 13.1 Commitments

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

### 13.2 Contingencies

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

## 14. SHARE-BASED COMPENSATION

### 14.1 Stock options

The following table summarizes the outstanding number of stock options as of June 30, 2024:

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

Outstanding options (the "Options") vest after five years of employment. The Options must be exercised by the tenth anniversary of the respective grant dates, subject to blackout exceptions. As of June 30, 2024, all of the Options are vested.

During the six months ended June 30, 2024, the Corporation recognized an expense of \$26 relating to the Options (June 30, 2023: a net gain of \$517) in salaries and benefits expense.

The grant date fair values of the Options were measured based on the Black-Scholes model. Expected volatility is estimated by considering historic average share price volatility.

# MEDICAL FACILITIES CORPORATION

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## 14. SHARE-BASED COMPENSATION (Continued)

### 14.2 Deferred share units

Compensation for directors includes a deferred share unit (“DSU”) component, for which grants based on the value of the Corporation’s common shares are made quarterly. The DSUs accrue dividends, vest immediately and can be redeemed only when a participant ceases to serve as a director of the Corporation. The participants’ entitlement in respect of the DSUs then held will be settled in cash based on a formula tied to the value of the Corporation’s common shares at the relevant time. For the six months ended June 30, 2024, director compensation included DSU grants of \$201 (June 30, 2023: \$310), while the change in market value of outstanding DSUs for the same period was an expense of \$927 (June 30, 2023: \$73).

The following table summarizes changes in the number of DSUs for the six months ended June 30, 2024:

	<b>2024</b>
Opening balance of DSUs at January 1, 2024	351,882
DSUs granted on director fees	23,974
DSUs granted on dividend reinvestment	5,893
<b>Total number of DSUs at June 30, 2024</b>	<b>381,749</b>

### 14.3 Performance share unit plan

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

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

#### 14.3.1 Share units

To date, SU grants were made on March 31, 2020 for 346,638 Executive DSUs, on March 31, 2021 for 175,898 Executive DSUs, on March 31, 2022 for 150,348 Executive DSUs, on March 31, 2023 for 78,978 Executive DSUs, and on March 28, 2024 for 81,106 Executive DSUs. The value of the expense and liability associated with the SUs is determined based on the Corporation’s share price at the end of each reporting period. For the six months ended June 30, 2024, operating expenses included an SU expense of \$590 (June 30, 2023: \$96). As of June 30, 2024, accrued liabilities in the interim condensed consolidated balance sheet included a liability for SUs of \$1,596 (December 31, 2023: \$1,006).

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## 14. SHARE-BASED COMPENSATION (Continued)

The following table summarizes changes in the number of SUs for the six months ended June 30, 2024:

	<b>2024</b>
Opening balance of SUs at January 1, 2024	201,533
SUs granted	81,106
SUs granted on dividend reinvestment	3,921
<b>Total number of SUs at June 30, 2024</b>	<b>286,560</b>

## 15. MATERIAL ACCOUNTING POLICIES

The accounting policies set out in Note 20 to the annual financial statements have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Facilities.

### 15.1 New and revised IFRS not yet adopted

The new and revised IFRS not yet adopted, as detailed in Note 20.24 to the annual financial statements, also apply to these consolidated financial statements. The Corporation does not anticipate the adoption of these new and revised IFRS to have a material impact on the consolidated financial statements in future periods. There are no other new and revised IFRS that have been issued but not yet adopted that would be expected to have a material impact on the Corporation.

## 16. SUBSEQUENT EVENTS

Subsequent to June 30, 2024, the SBA concluded the Post Payment Loan Reviews on previously forgiven PPP loans of \$6,863 relating to certain Facilities, closing the reviews with no findings, thus confirming full forgiveness of these PPP loans. As a result, the respective Facilities will record government stimulus income of \$6,863 in the interim condensed consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2024, and the related liability recorded under government stimulus funds repayable in the interim condensed consolidated balance sheet will be reduced by the same amount.