



**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc.)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years ended December 31, 2020 and December 31, 2019**  
**(expressed in thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

## Independent Auditor's Report

To the Shareholders of Apollo Healthcare Corp.

### Opinion

We have audited the consolidated financial statements of Apollo Healthcare Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Indicators of impairment and reversal of indicators of impairment on long-lived assets*

The Company has long-lived assets which are comprised of property, plant, and equipment as well as intangible assets with definite useful lives. As a result, management assesses at the end of each reporting period whether there is any indication that these assets may be impaired, or whether there is any indication of a

In this regard, our audit procedures included:

- Evaluating the reasonableness of management's impairment indicator and reversal of impairment indicator assessment, including the following:

reversal of a previous impairment loss. In making this assessment, management considers observable indicators of a change in value, significant changes in the technological, market, economic or legal environment in which the Company operates, changes in market interest rates, the Company's market capitalization relative to the carrying amount of the long-lived assets, changes in the Company's plans for the assets, and physical evidence of changes in value.

Management did not perform an impairment test as at December 31, 2020, as they assessed that there were no indicators that an impairment test was required.

We considered this a key audit matter due to the significance of the long-lived assets and the judgment applied by management when assessing whether there were any indicators that would require an impairment test to be performed. This resulted in a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate audit evidence relating to management's impairment indicator assessment.

#### *Recoverability of deferred tax assets*

We identified the recoverability of deferred tax assets as a key audit matter due to the recognition of these assets involving judgement by management as to the likelihood of the realization of these deferred tax assets, which is based on a number of factors including whether there will be sufficient taxable profits in future periods to support recognition.

- Evaluating the completeness of management's impairment indicator assessment.
- Recalculating and comparing the Company's market capitalization to its net assets as at December 31, 2020.
- Considering changes in technologic market, economic and legal environment in which the Company operates, including the impact of COVID-19.
- Considering whether there is any physical evidence of changes in value of the long-lived assets.

In this regard, our audit procedures included:

- Evaluating management's assessment on the sufficiency of future taxable profits in support of the recognition of deferred tax assets by comparing management's forecasts of future profits to historical results and evaluating the assumptions used in those forecasts;
- Discussing with the Company's key management the tax positions of the loss making entities; and
- Performing an assessment of the ability of Company to utilize pre-amalgamation deductible temporary differences in the post-amalgamation entity.

## **Other information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of management and those charged with governance for the consolidated financial statements**

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

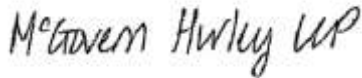
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
March 15, 2021

## TABLE OF CONTENTS

	<u>PAGE</u>
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	3
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS).....	4
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY .....	5
CONSOLIDATED STATEMENTS OF CASH FLOWS .....	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .....	8

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(in thousands of Canadian dollars)**

	Notes	As at December 31, 2020	As at December 31, 2019
<b>Assets</b>			
Current assets			
Cash and cash equivalents.....		\$ 31,381	\$ —
Trade and other receivables.....	6	24,597	21,041
Inventories.....	7	23,991	25,672
Prepaid expenses and deposits.....		2,890	1,876
Other current assets.....	17	1,166	—
<b>Total current assets.....</b>		<b>\$ 84,025</b>	<b>\$ 48,589</b>
Non-current assets			
Property, plant and equipment.....	8	\$ 47,741	\$ 47,205
Intangible assets ...	9	19,334	24,167
Net investment in leases.....	18	953	1,050
<b>Total non-current assets.....</b>		<b>\$ 68,028</b>	<b>\$ 72,422</b>
<b>Total assets.....</b>		<b>\$ 152,053</b>	<b>\$ 121,011</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities.....		\$ 40,310	\$ 20,383
Current debt obligations.....	10	—	34,557
Current lease liabilities.....	18	1,683	1,563
Other current liabilities.....		—	517
<b>Total current liabilities.....</b>		<b>\$ 41,993</b>	<b>\$ 57,020</b>
Non-current liabilities			
Lease liabilities.....	18	\$ 13,652	\$ 15,336
Long-term debt.....	10	—	31,100
<b>Total non-current liabilities.....</b>		<b>\$ 13,652</b>	<b>\$ 46,436</b>
<b>Total liabilities.....</b>		<b>\$ 55,645</b>	<b>\$ 103,456</b>
<b>Shareholders' equity</b>			
Share capital.....	11	\$ 596,735	\$ 599,191
Contributed surplus.....		196,610	196,610
Warrants.....	11	3,939	3,939
Deficiency.....		(700,876)	(782,185)
<b>Total shareholders' equity.....</b>		<b>\$ 96,408</b>	<b>\$ 17,555</b>
<b>Total liabilities and shareholders' equity.....</b>		<b>\$ 152,053</b>	<b>\$ 121,011</b>

**Going concern (note 2)**

**Commitments and contingencies (notes 10 and 19)**

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

Approved on behalf of the board:

“Richard Wachsberg”

“Jeffrey Spiegelman”

Director

Director

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc.)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(in thousands of Canadian dollars, except per share amounts)**

	<u>Notes</u>		<u>Year Ended December 31, 2020</u>		<u>Year Ended December 31, 2019</u>
<b>Revenue</b> .....	12	\$	321,732	\$	167,148
<b>Cost of revenue, expenses, and other items</b>					
Cost of revenue.....	7,13		182,756		127,551
Selling, general and administrative expense.....	13		58,125		41,260
Finance costs .....	14		4,269		5,007
(Gain) on change in fair value of derivative instruments	17		(1,180)		(2,117)
Net (gain)/loss on foreign exchange .....			(2,438)		467
Other loss/(income), net .....			330		(13)
<b>Total cost of revenue, expenses and other items</b> .....		<b>\$</b>	<b>241,862</b>	<b>\$</b>	<b>172,155</b>
<b>Net income (loss) and total comprehensive income (loss)</b>		<b>\$</b>	<b>79,870</b>	<b>\$</b>	<b>(5,007)</b>
<b>Net income (loss) per share</b>					
Basic .....	15	\$	1.08	\$	(0.07)
Diluted .....	15	\$	1.08	\$	(0.07)

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

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc.)**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(in thousands of Canadian dollars, except per share amounts)**

	<u>Share capital</u> <u>(Class B Shares)</u>		<u>Warrants</u>		<u>Contributed surplus</u>	<u>Deficiency</u>	<u>Total shareholders' equity</u>	
	<u>Notes</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>				<u>Amount</u>
<b>Balance at December 31, 2019</b>		<b>73,825,432</b>	<b>\$ 599,191</b>	<b>20,884,062</b>	<b>\$ 3,939</b>	<b>\$ 196,610</b>	<b>\$ (782,185)</b>	<b>\$ 17,555</b>
Net income for the period .....		—	—	—	—	79,870	79,870	79,870
Forfeiture of contingent Class B Shares	11	(293,316)	—	—	—	—	—	—
Redemption of Class B Shares	11	(302,684)	(2,456)	—	—	1,439	(1,017)	(1,017)
<b>Balance at December 31, 2020</b>		<b><u>73,229,432</u></b>	<b><u>\$ 596,735</u></b>	<b><u>20,884,062</u></b>	<b><u>\$ 3,939</u></b>	<b><u>\$ 196,610</u></b>	<b><u>\$ (700,876)</u></b>	<b><u>\$ 96,408</u></b>

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

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc.)**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)**  
**(in thousands of Canadian dollars, except per share amounts)**

	Share capital (Class B Shares)		Warrants		Contributed surplus	Deficiency	Total shareholders' equity
	Number	Amount	Number	Amount			
<b>Balance at December 31, 2018</b> .....	<b>70,215,298</b>	<b>\$ 594,246</b>	<b>20,884,062</b>	<b>\$ 3,939</b>	<b>\$ 196,610</b>	<b>\$ (777,121)</b>	<b>\$ 17,674</b>
Adjustment on initial application of IFRS 16 (net of tax).....	—	—	—	—	—	(66)	(66)
<b>Adjusted balance at January 1, 2019</b>	<b>70,215,298</b>	<b>\$ 594,246</b>	<b>20,884,062</b>	<b>\$ 3,939</b>	<b>\$ 196,610</b>	<b>\$ (777,187)</b>	<b>\$ 17,608</b>
Net (loss) for the period.....	—	—	—	—	—	(5,007)	(5,007)
Issuance of Class B Shares for settlement of debt.....	683,836	521	—	—	—	—	521
Issuance of Class B Shares, net of share issuance costs, related to private placement.....	6,668,507	4,433	—	—	—	—	4,433
Redemption of Class B Shares.....	(3,742,209)	(9)	—	—	—	9	—
<b>Balance at December 31, 2019</b> .....	<b>73,825,432</b>	<b>\$ 599,191</b>	<b>20,884,062</b>	<b>\$ 3,939</b>	<b>\$ 196,610</b>	<b>\$ (782,185)</b>	<b>\$ 17,555</b>

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

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(in thousands of Canadian dollars)**

	<b>Notes</b>	<b>Year ended December 31, 2020</b>	<b>Year ended December 31, 2019</b>
<b>Operating activities</b>			
Net income (loss) .....		\$ 79,870	\$ (5,007)
Adjustments for non-cash items and other adjustments:			
Depreciation of property, plant and equipment .....	8	5,813	6,444
Amortization of intangible assets .....	9	4,833	4,833
Gain on change in fair value of financial instruments .....	17	(1,180)	(2,117)
Finance costs .....	14	4,269	5,007
Net gain on foreign exchange .....		(1,744)	(333)
Loss on disposal of property, plant and equipment .....		330	—
Changes in non-cash working capital .....	20	16,521	(3,942)
<b>Net cash flows provided by operating activities</b>		<b>\$ 108,712</b>	<b>\$ 4,885</b>
<b>Investing activities</b>			
Additions to property, plant and equipment .....	8	(6,768)	(1,075)
Collection of proceeds on disposition of Aviation reportable segment .....		—	6,660
Proceeds on disposal of property, plant and equipment .....	8	89	—
Interest received .....		74	718
Principal payments from net investment in leases .....	18	97	97
<b>Cash used in investing activities</b>		<b>\$ (6,508)</b>	<b>\$ 6,400</b>
<b>Financing activities</b>			
Repayment of debt .....	10	(63,399)	(61,028)
Proceeds from debt and credit facilities .....	10	—	46,758
Payment of debt issuance costs .....	10	—	(261)
Redemption of Class B shares .....	11	(1,017)	—
Proceeds from private placement of Class B shares .....		—	4,533
Payment of share insurance costs related to private placement .....		—	(100)
Principal payments on lease liabilities .....	18	(1,564)	(1,536)
Interest and related fees paid .....		(1,197)	(4,057)
<b>Cash used in financing activities</b>		<b>\$ (67,177)</b>	<b>\$ (15,691)</b>
<b>Net increase (decrease) in cash during the period</b> .....		<b>\$ 35,027</b>	<b>\$ (4,406)</b>
Foreign exchange impact on cash held in foreign currencies .....		27	81
Cash and cash equivalents (bank indebtedness), beginning of period .....		(3,673)	652
<b>Cash and cash equivalents (bank indebtedness), end of period</b> .....		<b>\$ 31,381</b>	<b>\$ (3,673)</b>

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

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**1. Description of business**

Apollo Healthcare Corp. (formerly Acasta Enterprises Inc.) (“Apollo” or the “Company”) was incorporated under the Business Corporations Act (Ontario) on September 19, 2015 and is listed on the Toronto Stock Exchange (“TSX”) under the symbol AHC. The Company’s registered address is 1 Apollo Place, Toronto, Ontario, M3J 0H2. On April 16, 2020, Acasta Enterprises Inc. and its operating subsidiary Apollo Health and Beauty Care Inc. amalgamated as Acasta Enterprises Inc. On August 12, 2020, the Company changed its legal name to Apollo Healthcare Corp. and carries on business under the trade name Apollo Health and Beauty Care. The Company has one reportable operating segment comprised of a single private label consumer staples business. The Company manufactures and distributes private label health and beauty care and sanitizer products for a range of retailers and users across North America.

**2. Basis of preparation and going concern**

**Statement of compliance**

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) in effect on December 31, 2020. The Board of Directors approved these consolidated financial statements (the “consolidated financial statements”) on March 15, 2021. The significant accounting policies applied by the Company are described in note 3 herein.

**Basis of measurement**

The consolidated financial statements of the Company are presented using, and have been prepared on, a going concern basis under the historical cost convention except for certain financial instruments that are measured at fair value, as explained in the accounting policies in note 3. The consolidated financial statements of the Company are presented on the accrual basis except for the consolidated statements of cash flows. The Company’s presentation currency is the Canadian dollar (“CAD”). All financial information is presented in thousands of Canadian dollars, except as otherwise indicated.

**Going concern**

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

**Principles of consolidation**

The consolidated financial statements represent the accounts of Apollo and its subsidiary, including its controlled operating company and its controlled investments. Control is achieved when Apollo:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and,
- has the ability to use its power to affect its returns.

As at December 31, 2019 and for the period from January 1, 2020 to April 15, 2020, the only significant controlled legal entity was Apollo Health and Beauty Care Inc. Following April 15, 2020, the Company and its operating subsidiary amalgamated.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**2. Basis of preparation and going concern (Continued)**

Consolidation of a subsidiary or investment begins when the Company obtains control over the subsidiary or investment and ceases when the Company loses control of the subsidiary or investment. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of loss and comprehensive loss from the date the Company gains control until the date the Company ceases to control the subsidiary or investment.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full upon consolidation.

**3. Significant accounting policies**

The Company's accounting policies and its standards of financial disclosure set out below are in accordance with IFRS and have been applied consistently throughout the years presented in these consolidated financial statements, unless otherwise stated.

**Foreign currency**

*Functional currency*

The Company reports its financial results in CAD, as it is the currency of the primary economic environment in which it operates. The functional currency of the Company and its subsidiary is the Canadian dollar.

*Foreign currency transactions*

Transactions in foreign currencies are translated into the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rates. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates and revenue and expenses are translated at the average exchange rates prevailing during the month of the transaction. Exchange gains and losses arise on the settlement of foreign-currency denominated transactions which are recognized in net income (loss). The effect of currency translation adjustments on cash and cash equivalents is presented separately in the consolidated statements of cash flows and separated from investing and financing activities when deemed significant.

**Cash and cash equivalents (bank indebtedness)**

Cash and cash equivalents include liquid investments such as term deposits, money market instruments and commercial paper with original maturities of three months or less. The Company considers outstanding cheques as part of cash and cash equivalents (bank indebtedness).

**Inventories**

Inventories are comprised of raw materials, work-in-progress, and finished goods. Inventories are recorded at the lower of cost and net realizable value. Cost is determined on a standard cost basis, and includes the purchase price and other costs, such as import duties, taxes and transportation costs. Inventory cost is determined on a first-in, first-out basis and any trade discounts and rebates are deducted from the purchase price. Raw material costs include the purchase cost of the materials, freight-in and duty. Finished goods and work-in-progress include the cost of direct materials and labour and a proportion of manufacturing overhead allocated based on normal production capacity.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**3. Significant accounting policies (Continued)**

Net realizable value represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory and contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The impact of changes in inventory reserves is reflected in cost of revenue. To the extent that circumstances have changed subsequently such that the net realizable value has increased, previous write-downs are reversed and recognized in net income (loss) in the year during which the reversal occurs.

**Revenue recognition**

*Sale of goods*

The Company generates revenues from the sale of products, specifically focusing on the manufacturing and distribution of white-label health and beauty care products.

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Gross revenue excludes duties and taxes collected on behalf of third parties. Net revenue from sale of goods, as presented in the consolidated statement of income (loss) and comprehensive income (loss), represents revenue from the sale of goods less expected price discounts, returns on sales of defective products and customer rebates.

The Company's contracts with customers for the sales of products, and in some cases, including delivery of the products, consist of one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when control is transferred to the customer, which is on shipment or delivery, depending on the contract. The Company's payment terms range from 30 to 60 days from the transfer of control.

**Leases in accordance with IFRS 16, Adopted January 1, 2019**

*Lessee*

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use assets are adjusted for impairment losses, if any. The estimated useful lives and recoverable amounts of right-of-use assets are determined on the same basis as those of property, plant and equipment. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**3. Significant accounting policies (Continued)**

*Finance lease – lessor*

At commencement date, the Company recognizes assets held under finance leases in its consolidated statements of financial position as a receivable at the amount equal to the net investment in the lease. The net investment in the lease is calculated as the present value of lease payments, using the interest rate implicit in the lease. For subleases, if the interest rate implicit in the sublease cannot be readily determined, the Company uses the discount rate under the primary lease. The Company recognizes finance income over the lease term using the effective interest rate method.

**Share capital and warrants**

The Class B Shares and warrants of the Company (the “Warrants”) are classified as equity as they are contracts representative of a residual interest in the net assets of the Company after deducting all of its liabilities. Incremental costs directly attributable to the issuance of Class B Shares and Warrants are recognized as a deduction from equity. The Warrants are measured at fair value at the date of issuance using an appropriate valuation model reflecting the terms and conditions of the Warrants.

**Net income (loss) per share**

Basic net income (loss) per share is calculated by dividing the net income (loss) attributable to holders of the Class B Shares by the weighted average number of Class B Shares outstanding during the year. The Contingent Shares, described herein, are subject to forfeiture and consequently excluded from the determination of the weighted average number of Class B Shares outstanding until such time as these shares are no longer subject to forfeiture. Diluted net income (loss) per share is calculated by adjusting the net income (loss) attributable to the holders of the Class B Shares and the weighted average number of Class B Shares outstanding for any dilutive effects of the Warrants.

**Income taxes**

Current tax and deferred tax are recognized in net income (loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

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

The Company follows the liability method to provide for income taxes. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their underlying tax bases. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized and the liability is settled. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising from the initial recognition of goodwill. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized within net income (loss) in the year that includes the substantive enactment date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but intends to settle current tax liabilities and assets on a net basis or its tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits, and applicable differences in tax basis in the purchaser’s tax jurisdiction as compared to its cost to the extent future recovery is probable, which may include consideration of the Company’s ability to implement certain tax planning strategies. At each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**3. Significant accounting policies (Continued)**

**Property, plant and equipment**

Property, plant and equipment is recorded at cost less accumulated depreciation and provisions for impairment, if any. Cost consists of expenditures directly attributable to the acquisition of the asset. The costs of construction of qualifying long-term assets include capitalized interest, as applicable.

Subsequent expenditures for maintenance and repairs are expensed as incurred, while costs related to betterments and improvements that extend the useful lives of property, plant and equipment are capitalized. Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method or declining balance method. Depreciation is provided for as follows:

Buildings .....	25 - 50 years
Leasehold improvements .....	Lesser of useful life and term of the lease
Office equipment .....	20% - 30% declining method
Machinery and equipment — dish and laundry .....	3 - 10 years
Machinery and equipment — health and beauty care .....	10% - 30% declining method

When components of an asset have a significantly different useful life or residual value than the primary asset, the components are depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognized in the consolidated statements of income (loss) and comprehensive income (loss) when the asset is de-recognized.

**Intangible assets**

The following are the estimated useful lives for the major classes of definite life intangible assets:

Customer contracts and relationships .....	5 - 8 years
--	-------------

Amortization is recognized on a straight-line basis over the estimated useful life of the intangible assets. The estimated useful lives and amortization methods are reviewed at the end of each reporting year, with the effect of any changes in the estimate being accounted for on a prospective basis.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**3. Significant accounting policies (Continued)**

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their initial cost).

The Company uses the income approach to value the fund contract, customer relationships, customer contracts, backlog and non-compete agreement intangible assets. The income approach is a valuation technique that calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life.

Specifically, the Company uses the excess earnings method to value the fund contract, customer relationships, customer contracts and backlog acquired intangible assets, which is a form of the income approach that estimates the fair value of an asset by calculating the present value of the after-tax earnings attributable to that asset. The earnings attributable to an asset are reduced by a return for each of the contributory assets required to generate these earnings. The earnings remaining are then discounted to present value at a rate of return commensurate with the risk inherent in the subject intangible asset.

The Company uses the probability-adjusted discounted cash flow (“DCF”) method, which is a form of the income approach to value the non-compete agreement. The probability-adjusted DCF is based on the probability of the owner competing in the absence of the non-compete clause and the probability of revenue loss for the Company if the owner competes. The probability-adjusted earnings are discounted to present value at a rate of return commensurate with the risk inherent in the non-compete agreement.

The Company relies on the relief-from-royalty method to value the intellectual property acquired. The relief-from-royalty method assumes the notional sale of the intellectual property through a royalty or licensing agreement with arm’s length third parties. Accordingly, the income forecast reflects an estimate of a fair royalty that a third-party purchaser (licensee) would pay, on a percentage of revenue basis, to obtain a license to utilize the intellectual property. These after-tax royalty payments are then discounted to present value at a rate of return commensurate with the risk of the intellectual property.

*Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent expenditures are capitalized only when it increases the future economic benefits that form part of the specific asset to which it relates and other criteria have been met. Otherwise, all other expenditures are recognized in net income (loss) as incurred.

*De-recognition of intangible assets*

An intangible asset is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in net income (loss) when the asset is de-recognized.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**3. Significant accounting policies (Continued)**

**Impairment of long-lived assets**

Long-lived assets consist of property, plant and equipment, and intangible assets. Quarterly or whenever events or changes in circumstances suggest that the carrying value of an asset may not be recoverable, the Company reviews for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an intangible asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss equal to the difference between the carrying and recoverable amounts is recognized immediately in net income (loss).

**Contingencies**

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or present obligations that are not recognized because either it is not probable that an outflow of economic benefits would be required to settle the obligation or the amount cannot be measured reliably.

Contingent liabilities are not recognized but are disclosed and described in the notes to the consolidated financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, with assistance from its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

**Financial instruments**

All financial instruments are initially recorded at fair value at the time of acquisition. The Company aggregates its financial instruments in accordance with IFRS 9, Financial Instruments, into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction. The Company's accounting policy for each class of financial instruments is as follows:

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**3. Significant accounting policies (Continued)**

*Amortized cost*

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion, and financial liabilities which are not required, and for which the Company has not elected to subsequently record at fair value through profit or loss.

Financial instruments in this category are initially recognized at fair value plus directly attributable transaction costs. Subsequently, these instruments are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Financial assets are adjusted for any expected credit losses ("ECLs").

Financial assets in this category include cash and cash equivalents, net investment in leases, and trade and other receivables. Financial liabilities in this category include accounts payable and accrued liabilities, current debt obligations, long-term debt, and other non-derivative liabilities.

*Fair value through profit or loss ("FVTPL")*

This category includes derivative instruments and debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

These financial instruments are initially recognized at fair value; all transaction costs are recognized immediately in profit or loss. Subsequently, these instruments are recognized at fair value at each reporting date. Any changes in fair value, and gains or losses upon disposition of the financial instruments are recognized in profit or loss. In these consolidated financial statements, derivative assets included in other current assets and derivative liabilities included in other current liabilities, are included in this category.

**Fair value measurements**

The Company measures fair value in accordance with IFRS 13 Fair Value Measurement, which provides a single source of fair value measurement guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has applied the framework for measuring fair value, which requires a fair value hierarchy to be applied to all fair value measurements.

All financial instruments recognized at fair value in the consolidated statements of financial position are classified into one of three levels in the fair value hierarchy as follows:

Level 1 — valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities. Derivative assets (included in other current assets) are valued based on level 1 of the fair value hierarchy.

Level 2 — valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.

Level 3 — valuation techniques with significant unobservable market inputs.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**3. Significant accounting policies (Continued)**

**Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on cash and cash equivalents, net investment in leases, and trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company recognises lifetime ECLs for trade receivables and net investments in leases. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

**De-recognition of financial instruments**

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and reward of ownership of the asset to another party. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in net income (loss). The Company de-recognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in net income (loss).

**4. Significant accounting judgments and estimates**

The preparation of these consolidated financial statements requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Company's reported amounts of assets, liabilities, and items in net income (loss), and the related disclosure of contingent assets and liabilities, if any. Such estimates are based on various assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net income (loss) that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and actual results may differ from these estimates under different assumptions or conditions. Set out below are the most significant accounting judgments, estimates and assumptions that the Company has made in the preparation of these consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**4. Significant accounting judgments and estimates (Continued)**

*Determination of CGUs*

Management is required to use judgment in determining which assets or group of assets make up appropriate CGUs, for the level at which intangible assets are tested for impairment. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Determining the impact of impairment requires significant judgment in identifying which assets or groups of assets form CGUs of the Company. At December 31, 2020 and 2019, the Company's business was identified as a single CGU.

*Assessment of indicators of impairment and reversals of indicators of impairment*

Management assesses at the end of each reporting period whether there is any indication that the Company's long-lived assets with finite lives may be impaired, or whether there is any indication of a reversal of a previous impairment loss. In making this assessment, management considers observable indicators of a change in value, significant changes in the technological, market, economic or legal environment in which the Company operates, changes in market interest rates, the Company's market capitalization relative to the carrying amount of the long-lived assets, changes in the Company's plans for the assets, and physical evidence of changes in value. The pandemic caused by COVID 19 resulted in a significant increase in cleanser product sales in 2020. The increased sales for cleanser products reflected in the Company's 2020 results is in part reflective of the unique environment that existed during the past financial year and is no guarantee of future financial performance. As such, as at December 31, 2020, management has not assessed any indicators of impairment or reversal of indicators of impairment.

*Functional currency*

Determining the appropriate functional currencies for entities in the Company requires analysis of various factors, including the currencies and country-specific factors that mainly influence sales prices, and the currencies that mainly influence labour, materials, and other costs of providing goods or services.

*Fair value of financial instruments*

Derivative instruments are recorded in the Company's consolidated statements of financial position at fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by its quoted market price. Changes in the underlying trading value may significantly affect the amount of net income (loss) for a particular year. Furthermore, the quoted market price of a financial liability may not be equal to the amount that the Company would have to pay in settlement of the underlying obligation, should such obligation become immediately payable.

*Useful life of property, plant and equipment and intangible assets with finite useful lives*

The Company employs significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, considering industry trends such as technological advancements, past experience, expected use and review of asset useful lives.

Components of an item of property, plant and equipment may have different useful lives. The Company makes estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. The Company reviews depreciation methods, useful lives and residual values annually or when circumstances change and adjusts its depreciation methods and assumptions prospectively.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**4. Significant accounting judgments and estimates (Continued)**

*Provisions*

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

*Contingencies*

Contingencies can be either possible assets or possible liabilities arising from past events, which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

*Inventory obsolescence*

Inventories are stated at the lower of cost and estimated net realizable value. The Company estimates net realizable value as the amount at which inventories are expected to be sold, taking into consideration fluctuations in retail prices less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices.

*Sales allowances*

A sales allowance is established to reflect credits due to customers relating to factors such as contractual discounts, negotiated discounts, customer audits, defective products, and costs incurred by customers to sell the Company's products. The allowance is based on specific reserves based upon the Company's evaluation of the likelihood of the outcome of sales allowance claims.

*Expected credit losses*

Determining an allowance for expected credit losses ("ECLs") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

*Income and other taxes*

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities. In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses.

When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**4. Significant accounting judgments and estimates (Continued)**

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated statements of financial position, a charge or credit to income tax expense included as part of net income (loss) and may result in cash payments or receipts. Judgment includes consideration of the Company's future cash requirements in its tax jurisdictions.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company's income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

*Discount rate used in adoption of IFRS 16*

The determination of the Company's lease liabilities, right-of-use assets, and net investment in leases depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

*COVID-19*

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. The Company would be adversely affected by the loss of services of key personnel and of key suppliers and restrictions on cross border trade. During 2020, the Company did experience an increase in demand for its cleanser products. The increased sales for cleanser products reflected in the Company's 2020 results is part reflective of the unique environment that existed during the past financial year and is no guarantee of future financial performance.

**5. Recently issued accounting pronouncements**

*Accounting standards, amendments and interpretations not yet adopted or effective*

Certain new standards, amendments and interpretations have been issued but are not yet effective for the Company's consolidated financial statements for the periods presented. The Company has not early adopted any standards, amendments, or interpretations, which are issued but not yet effective.

*IAS 1 Presentation of Financial Statements* ("IAS 1") was amended in January 2020 to address inconsistencies with how entities apply the standard over classification of current and non-current liabilities. The amendment serves to address whether, in the statement of financial position, debt and other liabilities with an uncertain settlement should be classified as current or non-current. This amendment is effective on January 1, 2023. Earlier adoption is permitted. The Company will adopt this amendment as of the effective date and is currently assessing the impact of adoption.

*IAS 37 Provisions, Contingent Liabilities and Contingent Assets* was amended in May 2020 to clarify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective January 1, 2022. Early adoption is permitted. The Company will adopt this amendment as of the effective date and is currently assessing the impact of adoption.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**5. Recently issued accounting pronouncements (Continued)**

*IAS 16 Property, Plant and Equipment* was amended in May 2020 to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment is effective January 1, 2022. Early adoption is permitted. The Company will adopt this amendment as of their effective date and expects the impact will not be material to the financial statements.

*Newly adopted standards*

The Company has adopted amendments to IAS 1 and *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8") on January 1, 2020. Other recently adopted standards effective on January 1, 2020 that do not have a material effect on the Company's consolidated financial statements have been omitted.

*IAS 1 and IAS 8*

In October 2018, the IASB refined the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The Company has applied IAS 1 and IAS 8 with an initial application date of January 1, 2020, in accordance with the transitional provisions specified in IAS 1 and IAS 8. This adoption does not have a material effect on the Company's consolidated financial statements.

**6. Trade and other receivables**

Trade and other receivables comprised the following:

	<u>As at</u> <u>December 31, 2020</u>	<u>As at</u> <u>December 31, 2019</u>
Trade receivables .....	\$ 24,607	\$ 20,259
Expected credit losses (note 23).....	(10)	(14)
Sales tax receivable .....	—	789
Other .....	—	7
<b>Total trade and other receivables .....</b>	<b><u>\$ 24,597</u></b>	<b><u>\$ 21,041</u></b>

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**7. Inventories**

Inventories comprised the following:

	<u>As at December 31, 2020</u>	<u>As at December 31, 2019</u>
Raw materials.....	\$ 13,033	\$ 10,612
Work in progress.....	74	—
Finished goods.....	10,884	15,060
<b>Total inventories.....</b>	<b><u>\$ 23,991</u></b>	<b><u>\$ 25,672</u></b>

During the year ended December 31, 2020, \$137,418 of inventory was expensed in cost of revenue (year ended December 31, 2019 — \$87,588). The provision for obsolete inventory totaled \$20,566 (December 31, 2019 - \$8,947). The cost of inventories recognized as an expense includes \$18,005 (2019 - \$8,491) in respect of write-downs of inventory to net realizable value.

**8. Property, plant and equipment**

Property, plant and equipment at December 31, 2020 and 2019 comprised the following:

<u>Cost</u>	<u>Building and Leasehold Improvements</u>	<u>Office Equipment</u>	<u>Machinery and Equipment</u>	<u>Right of use asset</u>	<u>Total</u>
<b>Balance, December 31, 2018..</b>	<b>\$ 5,233</b>	<b>\$ 2,008</b>	<b>\$ 36,970</b>	<b>\$ —</b>	<b>\$ 44,211</b>
<b>Balance, January 1, 2019, as restated (note 18)</b>	<b>5,233</b>	<b>2,008</b>	<b>36,970</b>	<b>17,222</b>	<b>61,433</b>
Additions.....	6	—	1,069	—	1,075
<b>Balance, December 31, 2019..</b>	<b><u>\$ 5,239</u></b>	<b><u>\$ 2,008</u></b>	<b><u>\$ 38,039</u></b>	<b><u>\$ 17,222</u></b>	<b><u>\$ 62,508</u></b>
Additions.....	—	—	6,768	—	6,768
Disposals.....	—	—	(798)	—	(798)
<b>Balance, December 31, 2020..</b>	<b><u>\$ 5,239</u></b>	<b><u>\$ 2,008</u></b>	<b><u>\$ 44,009</u></b>	<b><u>\$ 17,222</u></b>	<b><u>\$ 68,478</u></b>
	<u>Building and Leasehold Improvements</u>	<u>Office Equipment</u>	<u>Machinery and Equipment</u>	<u>Right of use asset</u>	<u>Total</u>
<b>Accumulated Depreciation</b>					
<b>Balance, December 31, 2018..</b>	<b>\$ (676)</b>	<b>\$ (780)</b>	<b>\$ (7,403)</b>	<b>\$ —</b>	<b>\$ (8,859)</b>
Depreciation.....	(349)	(351)	(3,776)	(1,968)	(6,444)
<b>Balance, December 31, 2019..</b>	<b><u>\$ (1,025)</u></b>	<b><u>\$ (1,131)</u></b>	<b><u>\$ (11,179)</u></b>	<b><u>\$ (1,968)</u></b>	<b><u>\$ (15,303)</u></b>
Depreciation.....	(349)	(249)	(3,247)	(1,968)	(5,813)
Disposals.....	—	—	379	—	379
<b>Balance, December 31, 2020..</b>	<b><u>\$ (1,374)</u></b>	<b><u>\$ (1,380)</u></b>	<b><u>\$ (14,047)</u></b>	<b><u>\$ (3,936)</u></b>	<b><u>\$ (20,737)</u></b>
<b>Carrying value at December 31, 2019 .....</b>	<b><u>\$ 4,214</u></b>	<b><u>\$ 877</u></b>	<b><u>\$ 26,860</u></b>	<b><u>\$ 15,254</u></b>	<b><u>\$ 47,205</u></b>
<b>Carrying value at December 31, 2020 .....</b>	<b><u>\$ 3,865</u></b>	<b><u>\$ 628</u></b>	<b><u>\$ 29,962</u></b>	<b><u>\$ 13,286</u></b>	<b><u>\$ 47,741</u></b>

No impairment was recognized during the years ended December 31, 2020 and December 31, 2019. Assets not yet available for use amount to \$6,549 as at December 31, 2020 (2019 - \$484), which are not being depreciated.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**9. Intangible assets**

Intangible assets comprised the following:

<b>Cost</b>	<b>Customer relationships/ contracts</b>
<b>Balance, December 31, 2018</b> .....	<b>\$ 134,800</b>
<b>Balance, December 31, 2019</b> .....	<b>\$ 134,800</b>
<b>Balance, December 31, 2020</b> .....	<b>\$ 134,800</b>
<b>Accumulated Amortization</b>	<b>Customer relationships/ contracts</b>
<b>Balance, December 31, 2018</b> .....	<b>\$ (105,800)</b>
Amortization.....	(4,833)
<b>Balance, December 31, 2019</b> .....	<b>\$ (110,633)</b>
Amortization.....	(4,833)
<b>Balance, December 31, 2020</b> .....	<b>\$ (115,466)</b>
<b>Carrying value at December 31, 2019</b> ....	<b>\$ 24,167</b>
<b>Carrying value at December 31, 2020</b> ....	<b>\$ 19,334</b>

None of the intangible assets are determined to have indefinite useful lives and, accordingly, have been amortized in the period consistent with stated accounting policies.

During the year ended December 31, 2020 and 2019, there were no indicators of impairment or indicators of reversal of previous impairment losses for the Company's customer relationships/contracts.

**10. Debt**

	<b>As at December 31, 2020</b>	<b>As at December 31, 2019</b>
(a) Commercial Bank Credit Facility .....	\$ —	\$ 31,292
(b)WFI Debt Reduction Facility .....	—	15,466
(c)U.S. Credit Facility .....	—	15,418
Bank Indebtedness .....	—	3,673
Less: Deferred financing fees.....	—	(192)
<b>Total debt</b> .....	<b>\$ —</b>	<b>\$ 65,657</b>
Current .....	\$ —	\$ 34,557
Long-term .....	—	31,100
<b>Total debt</b> .....	<b>\$ —</b>	<b>\$ 65,657</b>

*(a) Commercial Bank Credit Facility*

On January 3, 2017, the Company entered into a credit agreement with its commercial bank (the "Commercial Bank Credit Facility").

On March 28, 2019, the Commercial Bank Credit Facility was further amended. Certain amortization payments under Term Loan B were waived, certain financial covenants were amended, a covenant was introduced to reduce the facilities by \$20,000, and the Revolving Credit Facility availability was increased to \$8,000. The lender also provided waivers for certain covenant requirements.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**10. Debt (Continued)**

On July 12, 2019, the Commercial Bank Credit Facility was further amended to extend the maturity date to July 31, 2019 and add certain provisions to accommodate the WFI Debt Reduction Facility (described below).

On July 31, 2019, the existing term loan Commercial Bank Credit Facility matured and was replaced on August 2, 2019 by a \$50,000 asset-based lending facility with a three-year term and an \$8,000 term facility with a one-year term. The asset based lending facility was secured with all the Company's cash, receivables and inventory. It included a borrowing base calculation which was calculated monthly and covenants which were customary for asset based facilities of this nature. Such covenants limited, among other things, the ability of the Company to incur or assume additional debt, sell material assets, and make certain capital expenditures or acquisitions. The Company was also required to maintain a minimum fixed charge coverage ratio and a maximum leverage ratio. The Company was required to monitor, report and comply with the covenants on a regular basis.

On September 17, 2020, the asset-based lending facility was replaced by a \$50,000 revolving credit facility as described below. The \$8,000 term facility matured on August 2, 2020 and was not replaced.

**Revolving Credit Facility** — availability of up to \$50,000 in accordance with the credit agreement to be used for working capital, letters of credit, foreign exchange contracts and other general corporate purposes. Amounts of drawdowns are in Canadian dollars by way of prime rate and bankers' acceptances advances and in United States dollars by way of U.S. base rate advances and LIBOR advances. Interest is CDOR, LIBOR, BA, U.S. base rate or Canadian prime rate based plus an applicable margin. The facility also contains a standby fee. The facility agreement includes a general security agreement over all the assets of the Company and contains covenants which are customary for revolving credit facilities of this nature. Such covenants limit, among other things, the ability of the Company to incur or assume additional debt, sell material assets, and make certain capital expenditures or acquisitions. The Company must monitor, report and comply with the covenants on a regular basis. At December 31, 2020, the Company had utilized \$Nil of its available \$50,000 credit (2019 — N/A). The revolving credit facility has a three year term and matures on September 17, 2023.

*(b) WFI Debt Reduction Facility*

WFI Inc., the remaining lending party to the U.S. Credit Facility, is related to Apollo by virtue of being controlled by Richard and Charles Wachsberg, the key management personnel. The \$15,466 WFI Debt Reduction Facility was funded on July 12, 2019 and was interest and fee free for its six-month term which matured on January 12, 2020. The WFI Debt Reduction Facility was fully subordinated to the existing commercial bank facility and secured by the assets of Apollo Health and Beauty Care Inc. It was also secured by a general security agreement over all the assets of the parent entity, Apollo Healthcare Corp. Subsequent to December 31, 2019, the WFI Debt Reduction facility maturity date was extended to June 30, 2020. A fee of 0.5% of the outstanding balance was charged by the lender for the extension and an interest rate of Canadian prime rate plus an applicable margin was charged. This facility has been repaid in full during the year ended December 31, 2020 and is no longer available.

*(c) U.S. Credit Facility*

On May 14, 2017, the Company entered into a secured two-year credit facility agreement (the "U.S. Credit Facility") with a syndicate of lenders including two related parties. The U.S. Credit Facility allowed for the borrowing of up to U.S. \$150,000 to fund specific investments. The U.S. Credit Facility was secured by a first priority lien over Apollo's real property and a second priority lien on Apollo Health and Beauty Care Inc.'s net assets.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**10. Debt (Continued)**

In response to the Company's effort to reduce indebtedness, in addition to making early repayments of principal, the ability to make further draws on the facility was removed. The U.S. Credit Facility's maturity date was extended from September 1, 2019 to January 12, 2020. An extension fee of 0.5% of the outstanding balance was charged by the lender for the extension. On January 12, 2020, the U.S. Credit Facility was further extended to June 30, 2020. An extension fee of 0.5% of the outstanding balance was charged by the lender for the extension. This facility has been repaid in full during the year ended December 31, 2020 and is no longer available.

*Changes in cash flows from financing activities related to debt*

	<u>Year ended</u> <u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
Total debt, beginning of year .....	\$ 65,657	\$ 74,444
Proceeds from credit facilities .....	—	46,758
Debt repayments, including repayment of bank indebtedness .....	(67,072)	(61,028)
Debt issuance costs .....	—	(261)
Total cash flows from debt financing activities .....	<u>\$ (67,072)</u>	<u>\$ (14,531)</u>
Other components of long-term debt		
Accrued interest .....	\$ 2,942	\$ 2,359
Non-cash changes in deferred financing fees.....	138	(261)
Effects of foreign exchange .....	(1,665)	(27)
Total other components of long-term debt.....	<u>\$ 1,415</u>	<u>\$ 2,071</u>
Bank indebtedness .....	—	3,673
<b>Total debt, end of year.....</b>	<b><u>\$ —</u></b>	<b><u>\$ 65,657</u></b>

**11. Shareholders' equity**

*Authorization*

The Company is authorized to issue an unlimited number of Class B Shares without par value. The holders of Class B Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these shares. Holders of Class B Shares are entitled to vote at all meetings of shareholders and on all matters requiring a shareholder vote.

*Issued and outstanding Class B shares:*

	<u>Number</u>	<u>Amount</u>
<b>Balance, December 31, 2018 .....</b>	<b>70,215,298</b>	<b>\$ 594,246</b>
(a) Forfeiture of Founders Shares .....	(3,742,209)	(9)
(d) Issuance of Class B shares for settlement of debt .....	683,836	521
(c) Private Placement, net of issuance costs.....	6,668,507	4,433
<b>Balance, December 31, 2019 .....</b>	<b><u>73,825,432</u></b>	<b><u>\$ 599,191</u></b>
(a) Forfeiture of contingent Class B Shares.....	(293,316)	—
(e) Redemption of Class B Shares.....	(302,684)	(2,456)
<b>Balance, December 31, 2020 .....</b>	<b><u>73,229,432</u></b>	<b><u>\$ 596,735</u></b>

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**11. Shareholders' equity (continued)**

(a) On January 2, 2019, the Company announced that, pursuant to the terms of the Amended and Restated Forfeiture Conditions and Transfer Restrictions Agreement and Undertaking entered into on January 3, 2017, an aggregate of 5,221,020 Class B Shares held by the original founders of the Company and certain transferees, would be forfeited and cancelled by the Company for no consideration. During the year ended December 31, 2020, 293,316 (2019 — 3,742,209) shares were forfeited and cancelled. As at December 31, 2020, 4,035,525 (2019 — 3,742,209) shares were forfeited and cancelled, with 1,185,495 (2019 — 1,478,811) shares remaining to be cancelled.

(b) On February 22, 2019, the Company closed a conversion of a portion of the secured, U.S. dollar denominated high yield debt held by WFI Inc. into equity of the Company. Under the terms of the conversion, WFI converted an aggregate principal amount of \$4,784 (or approximately US\$3,588) of high yield, secured U.S. dollar denominated indebtedness into Class B shares of the Company. The Company issued to WFI Inc. 6,499,426 Class B Shares pursuant to the conversion at a deemed price of \$0.736 per share. WFI Inc. is related to the Company by virtue of being controlled by the co-CEOs who are also directors of the Company. The transaction was unwound on April 5, 2019 (including the cancellation of the 6,499,426 Class B shares) and as such has not been recognized in these consolidated financial statements.

(c) During June 2019, the Company closed two tranches of a private placement financings at \$0.68 per share raising gross proceeds of \$4,533 (\$4,433 net of issue costs) and issuing 6,668,507 Class B shares.

(d) During the year ended December 31, 2019, the Company issued 683,836 Class B shares as settlement for amounts owing by the Company. The amounts recorded as share capital represent the amounts previously owing by the Company. This represents a non-cash transaction and is therefore excluded from the consolidated statement of cash flows. These shares were issued to a shareholder for services previously rendered. There was no gain or loss recognized on the extinguishment of the liability, as the shares were recorded at the value of the liability extinguished.

(e) The Company re-purchased 302,684 shares under its normal course issuer bid during the year ended December 31, 2020. The shares were repurchased for an average price of \$8.14 per share. On cancellation, \$1,439 was recognized directly to deficiency and share capital was reduced by \$2,456 representing the average consideration by the Company on the original issuance of the shares. Of the shares re-purchased, 113,288 were held as treasury shares as at December 31, 2020, and cancelled subsequent to the year-end.

*Warrants*

The warrants outstanding are exercisable by the holders as at December 31, 2019 and 2020. Each warrant entitles the holder to purchase one Class B Share at an exercise price of \$11.50, subject to normal anti-dilution adjustments. The warrants expire on January 3, 2022. As at December 31, 2020 and 2019, there were 20,884,062 warrants issued and outstanding.

*Contingent Shares*

In connection with the formation of the Company in 2017 (the "Closing"), certain parties involved the Closing (the "Founders") entered into an amended and restated forfeiture conditions and transfer restrictions agreement and undertaking (the "Forfeiture Agreement"). Pursuant to the Forfeiture Agreement, 50% of the Founders' Shares (the "Contingent Shares") are subject to forfeiture on the following terms: (i) 50% of the Contingent Shares will be forfeited unless the Company secures limited partner commitments of at least \$1 billion of capital for its private equity fund prior to the second anniversary of the Closing; and (ii) the remaining 50% of the Contingent Shares will be forfeited unless the Company achieves a Consumer Products Realization Event (as hereinafter defined) prior to the

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**11. Shareholders' equity (Continued)**

second anniversary of the Closing. A Consumer Products Realization Event can be the sale (partial or full) of the Company's Consumer Products businesses to a private equity fund, a sale of the businesses to a third party, a strategic merger with other similar businesses, or a separate public listing of the Consumer Products businesses.

In addition to the forfeiture provisions described above, the Contingent Shares are restricted from transfer on the following terms: (i) for a period of one year from Closing, the Contingent Shares may not be transferred; (ii) for the year between the first and fourth anniversary of Closing, the Contingent Shares will only be transferable if the closing price of the Class B Shares exceeds \$15.00 for any 20 trading days within a 30-day trading year; and (iii) after the fourth anniversary of Closing, the Contingent Shares will only become transferable if the closing share price of the Class B Shares exceeds \$18.00 for any 20 trading days within a 30-day trading year. If the Contingent Shares become unrestricted by any of the conditions listed prior, 50% of the Contingent Shares may only be transferred if the Company has secured limited partner commitments of at least \$1 billion of capital for its private equity fund prior to the second anniversary of the Closing, and the remaining 50% of the Contingent Shares may be transferred if the Company achieves a Consumer Products Realization Event prior to the second anniversary of the Closing.

The remaining Founders' Shares that are not Contingent Shares are restricted from transfer until the earlier of (a) one year following Closing; and (b) the closing share price of the Class B shares equaling or exceeding \$12.00 per share for any 20 days within a 30-day trading year. Refer to (a) above for forfeiture of these contingent shares.

*Share based payment arrangements*

On July 1, 2017, the Company established a deferred share unit ("DSU") incentive plan. The DSU incentive plan provides that participants may elect annually to receive all or a portion of their annual compensation amounts that would otherwise be payable in cash in the form of DSUs. DSUs may be redeemed for cash, Class B Shares or a combination of cash and Class B Shares, at the election of the Company upon exercise of the award, in accordance with the terms of the plan. The plan is currently available to members of the Board of Directors. The maximum number of Acasta Class B shares reserved for the DSU incentive plan is 4,785,765. As at December 31, 2020 and 2019, there were no DSUs outstanding.

**12. Revenue**

In each respective year, revenues from customers that amounted to more than 10% of the Company's revenues accounted for the following percentage of the Company's total revenues and accounts receivable, as follows:

	<b>% of revenues for year ended December 31, 2020</b>	<b>% of revenues for year ended December 31, 2019</b>	<b>% of accounts receivable at December 31, 2020</b>	<b>% of accounts receivable at December 31, 2019</b>
Customer 1	<b>37%</b>	60%	<b>71%</b>	67%
Customer 2	<b>18%</b>	11%	<b>9%</b>	7%
Customer 3	<b>15%</b>	0%	<b>5%</b>	0%

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**13. Expenses by nature**

Cost of revenue and selling, general and administrative expense comprised the following:

	For the year ended			
	December 31, 2020		December 31, 2019	
	Cost of revenue	Selling, general and administrative expense	Cost of revenue	Selling, general and administrative expense
Cost of inventory, raw materials and consumables	\$ 137,418	\$ —	\$ 88,636	\$ —
Depreciation of property, plant and equipment and amortization of intangible assets.....	5,466	5,180	5,952	5,325
Freight-out charges.....	—	11,265	—	11,228
Salaries and benefits.....	27,669	22,490	22,807	13,089
Utilities expenses.....	4,601	—	4,394	170
Professional fees.....	—	9,943	—	3,812
General office expenses.....	—	5,298	—	5,188
Production repairs, maintenance and supplies	7,366	—	5,328	—
Laboratory expenses.....	—	978	—	1,122
Other expenses.....	236	2,971	434	1,326
<b>Total cost of revenue and selling, general and administrative expense.....</b>	<b>\$ 182,756</b>	<b>\$ 58,125</b>	<b>\$ 127,551</b>	<b>\$ 41,260</b>

In each respective year, purchases from suppliers that amounted to more than 10% of the Company's purchases accounted for the following percentage of the Company's total purchases and accounts payable, as follows:

	% of purchases for year ended December 31, 2020	% of purchases for year ended December 31, 2019	% of accounts payable at December 31, 2020	% of accounts payable at December 31, 2019
Supplier 1	8%	11%	17%	23%

**14. Finance costs**

Finance costs are comprised of the following:

	For the year ended	
	December 31, 2020	December 31, 2019
Interest on bank overdrafts and loans.....	\$ 3,009	\$ 4,792
Interest expense on lease liabilities.....	1,197	1,194
Amortization and accretion of deferred financing costs.....	137	(261)
Other interest income, net.....	(74)	(718)
<b>Total finance costs, net.....</b>	<b>\$ 4,269</b>	<b>\$ 5,007</b>

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**15. Net income (loss) per share**

The following is the net income (loss) per share calculation for the year ended December 31, 2020 and December 31, 2019.

	<b>For the year ended</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Net income (loss) attributable to owners of Class B Shares.....	\$ 79,870	\$ (5,007)
Weighted average number of Class B Shares outstanding during the period.....	73,671,724	70,979,240
<b>Net income (loss) per share — basic and diluted.....</b>	<b>\$ 1.08</b>	<b>\$ (0.07)</b>

Net income (loss) per share is computed by dividing the net income (loss) incurred during the period by the weighted-average number of Class B Shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) incurred during the period by the diluted weighted-average number of Class B Shares outstanding during the period.

The Company did not take into effect any dilutive securities in calculating the net income (loss) per share because the dilutive securities are either anti-dilutive or the Company reported a net loss in the relevant year. As a result, diluted net income (loss) per Class B Share is the same as the basic net income (loss) per share for the periods presented.

**16. Related party transactions**

During the year ended December 31, 2020, the Company sold consumer products to Apex Branded Solutions in the amount of \$2,300 (December 31, 2019: \$613) and to CLCW Trading DWC LLC in the amount of \$100 (2019: \$332). Mr. Charles Wachsberg and Mr. Carlo LiVolsi are directors and indirect shareholders of both entities and of the Company. Mr. LiVolsi is an officer of Apex Branded Solutions and CLCW Trading DWC LLC. During the year ended December 31, 2020, the Company sold consumer products to West Coast Beauty Inc. for \$7 (2019: \$nil). Mr. LiVolsi is the director and shareholder of West Coast Beauty Inc.

During the year ended December 31, 2020, the Company paid \$90 (2019: \$50) to Mr. Jeffrey Spiegelman, a director of the Company, for legal services. These amounts are non-interest bearing, unsecured, and due on demand.

WFI Inc., (“WFI”) the remaining lending party to the U.S. Credit Facility and the lender of the WFI Debt Reduction Facility (refer to note 10), is related to the Company by virtue of being controlled by Richard and Charles Wachsberg, the key management personnel of the Company. As at December 31, 2020, \$Nil was outstanding to WFI Inc. (2019 — \$30,884). Interest expense of \$1,556 was recognized during the year ended December 31, 2020 (2019 - \$2,051) related to the WFI U.S. Credit Facility.

During the year ended December 31, 2019, Richard and Charles Wachsberg, the key management personnel, subscribed for 5,431,996 Class B shares for an aggregate amount of \$3,694. Richard and Charles Wachsberg’s shareholdings at December 31, 2019 and 2020 represented a significant percentage ownership of the Company.

Richard and Charles Wachsberg, the key management personnel, indemnified the lease of the manufacturing plant, recorded as a right-of-use asset and lease liability in these consolidated financial statements, (note 18) guaranteeing that the Company will fulfill its obligations under the lease. As at December 31, 2020 and 2019, no amounts have been paid by Richard and Charles Wachsberg as a result of this indemnification.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**16. Related party transactions (continued)**

The following outlines the compensation of the Company's board of directors and key management personnel (the Company's chief executive officer, chief financial officer, and certain other senior management :

	<b>For the year-ended</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Director and officer compensation.....	\$ 9,146	\$ 5,593
<b>Total key management personnel compensation .....</b>	<b>\$ 9,146</b>	<b>\$ 5,593</b>

**17. Financial instruments**

The carrying values of cash and cash equivalents, trade and other receivables, bank indebtedness, accounts payable, accrued liabilities, other current liabilities, and current debt obligations approximate their fair values due to the short-term nature of these financial instruments. The fair value of debt is not considered to be materially different from carrying value as related interest rates are largely variable and terms to maturity on most facilities are relatively short-term.

The following table presents the fair value hierarchy of financial assets and financial liabilities that are carried at fair value on the consolidated statements of financial position on a recurring basis. There were no transfers between levels of the fair value hierarchy during the years ended December 31, 2019 and 2020.

	<b>Fair value as at December 31, 2020</b>			<b>Fair value as at December 31, 2019</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>						
Derivatives included in other						
current assets .....	\$ 1,166	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Financial liabilities</b>						
Derivatives included in other						
current liabilities .....	\$ —	\$ —	\$ —	\$ 14	\$ —	\$ —

The derivatives are foreign currency swaps and forward contracts, and are included in other current assets/liabilities. These are measured at fair value each reporting date with gains and losses recorded in the consolidated statements of loss and comprehensive loss.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**18. Leases**

a) Net investment in leases

The Company entered into finance leasing arrangements as a lessor for office premises. These premises were originally leased by the Company, and subsequently sub-leased. These sub-lease contracts do not include extension or early termination options.

	<u>Year ended</u> <u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
Net investment in leases at January 1 .....	\$ 1,050	\$ 1,147
Interest income.....	74	74
Lease payments.....	(171)	(171)
Net investment in leases as at December 31 .....	<u>\$ 953</u>	<u>\$ 1,050</u>

The following is a reconciliation from the undiscounted lease payments to the net investment in leases:

<b>Year</b>	<u>As at December 31, 2020</u>
2021	\$ 171
2022 – 2023	358
2024 – 2025	368
2026+	322
Total contractual cash flows.....	<u>\$ 1,219</u>
Less: unearned interest income .....	<u>(266)</u>
Net investment in leases .....	<u>\$ 953</u>

b) Lease liabilities

The Company has lease agreements in place for its manufacturing plant as well as office premises as described in (a).

	<u>Year ended</u> <u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
Lease liability as at January 1 .....	\$ 16,899	\$ 18,435
Interest expense .....	1,197	1,194
Lease payments.....	(2,761)	(2,730)
Lease liabilities as at December 31.....	<u>\$ 15,335</u>	<u>\$ 16,899</u>

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**18. Leases (continued)**

The following is a reconciliation from the undiscounted lease payments to the lease liabilities:

<b>Year</b>	<b>Year ended December 31, 2020</b>
2021	\$ 2,758
2022 – 2023	5,733
2024 – 2025	5,909
2026+	5,195
Total contractual cash flows .....	<b>\$ 19,595</b>
Less: interest .....	<b>(4,260)</b>
Lease liabilities .....	<b>\$ 15,335</b>

**19. Commitments and contingencies**

*Legal Matters*

From time to time, the Company is named as a party to claims or involved in proceedings, including legal, regulatory and tax related, in the ordinary course of its business. While the outcome of these matters may not be estimable at period end, the Company makes provisions, where possible, for the estimated outcome of such claims or proceedings. Should a loss result from the resolution of any claims or proceedings that differs from these estimates, the difference will be accounted for as a charge to net income (loss) in that period. The disclosure of further information with respect to ongoing legal matters would be reasonably expected to prejudice the position of the Company in such matters.

*Environmental*

Management believes that there are no probable environmental related liabilities that will have a material adverse effect on the financial position or operating results of the Company.

*Management Commitments*

The Company's officers are party to certain management contracts. These contracts require payment of approximately \$23.4 million to the officers of the Company upon the occurrence of a change in control of the Company, as such term is defined in each officers' respective agreement. As a triggering event has not taken place, no provision has been made in these consolidated financial statements for these contingencies.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**20. Changes in non-cash working capital**

The following changes in non-cash working capital are attributable to both continuing and discontinued operations.

	<b>For the year ended</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Change in trade and other receivables.....	\$ (3,556)	\$ 4603
Change in inventories.....	1,681	(1,792)
Change in prepaid expenses and deposits .....	(1,014)	1,080
Change in accounts payable and accrued liabilities .....	19,927	(12,424)
Change in income taxes receivable .....	—	5,260
Change in other current liabilities .....	(517)	(669)
<b>Changes in non-cash working capital.....</b>	<b>\$ 16,521</b>	<b>\$ (3,942)</b>

**21. Segment Information**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments are reviewed regularly by the Company's interim Chief Executive Officer who is the chief operating decision maker ("CODM") for key decisions relating to resources to be allocated to the segments and for assessing their performance, in consultation with the board of directors. Operating companies may be aggregated into a reportable segment based on the nature of the products and services, production process, customer base, distribution model and regulatory environment at the operating companies, as well as key financial metrics such as gross margin and projected long-term revenue growth.

At December 31, 2020 and December 31, 2019, the Company operates only one reportable segment. Apollo's Consumer Products portfolio includes a company that manufactures and distributes private label health and beauty care products for a range of retailers across North America.

The following is a summary of the Company's geographical information:

	<b>Canada</b>	<b>United States</b>	<b>Europe</b>	<b>Total</b>
<i>for the year ended December 31, 2020</i>				
Revenue.....	\$ 110,841	\$ 210,100	\$ 791	\$ 321,732
Non-current assets (as at December 31, 2020) .....	\$ 68,028	\$ —	\$ —	\$ 68,028
	<b>Canada</b>	<b>United States</b>	<b>Europe</b>	<b>Total</b>
<i>for the year ended December 31, 2019</i>				
Revenue.....	\$ 158,791	\$ 8,357	\$ —	\$ 167,148
Non-current assets (as at December 31, 2019) .....	\$ 72,422	\$ —	\$ —	\$ 72,422

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**22. Income taxes**

The provision for income taxes differs from the expense that would be obtained by applying the Canadian statutory income tax rate as a result of the following:

	<b>For the year ended</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Income tax recovery based on applicable statutory tax rate of 25.7% (2019 – 26.5%).....	\$ 20,527	\$ (1,326)
Rate differential .....	—	22
Non-deductible costs and permanent items .....	186	277
Effect of unrecognized deferred tax assets .....	(20,730)	(1,321)
Prior year adjustments .....	—	2,436
Other .....	17	(88)
<b>Total income tax recovery .....</b>	<b>\$ —</b>	<b>\$ —</b>

The applicable Canadian statutory income tax rate of 25.7% (2019 - 26.5%) is attributable to a Federal tax rate of 15% (2019 -15%) and a provincial tax rate of 10.7% (2019 – 11.5%) for Ontario. The change in tax rate is due to the change in provincial tax rate as the Company generates eligible Canadian profits from manufacturing and processing qualifying for a reduced tax rate.

Deferred tax assets are recognized if management has determined that it is probable that such deferred tax assets may be recovered. As at December 31, 2020 and December 31, 2019, the Company believes that the following deductible temporary differences do not currently meet the criteria for recognition:

	<b>As at December 31, 2020</b>	<b>As at December 31, 2019</b>
Non-capital loss carry forwards .....	\$ 3,801	\$ 86,312
Capital loss carryforwards.....	299,390	295,127
Unamortized transaction costs .....	4,461	11,520
Long-lived assets.....	55,456	53,209
Non-refundable tax credits.....	1,134	1,307
Other .....	6,948	3,415
<b>Total unrecognized deductible temporary differences .....</b>	<b>\$ 371,190</b>	<b>\$ 450,890</b>

Non-capital losses of \$3,801 expire in 2039. Capital losses of \$299,390 have no expiry.

**23. Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk (including foreign currency and interest rate risk)

**Risk management framework**

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established a risk management strategy, which incorporates development and monitoring of the Company's risk management activities.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**23. Financial risk management (Continued)**

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Company's approach to risk management is assessed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and net investment in leases.

The carrying amount of financial assets represent the maximum credit risk exposure.

***Trade and other receivables***

The Company's exposure to credit risk is influenced mainly by the credit risk profile of each customer. However, management also considers indirect factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including customer, their geographic location, and industry. The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three months for customers

The Company uses an allowance matrix to measure the ECLs of trade receivables from customers. Rates are calculated separately for exposures based on the following common credit risk characteristics – geographical region and the age of the customer relationship.

The following table provides information about the exposure to credit risk and ECLs for trade receivables due from customers as at December 31, 2020 and 2019. Concentration of credit risk is disclosed in note 12. The maximum exposure to this risk is the carrying amount of the trade receivables.

	<b>Weighted average loss rate</b>	<b>Gross carrying Amount</b>	<b>Loss allowance</b>
Current (not past due) .....	0.01%	\$ 23,390	\$ 2
1 - 30 days past due .....	0.13%	1,067	1
31 - 60 days past due .....	1.15%	90	1
61 - 90 days past due .....	2.84%	31	1
More than 90 days past due .....	12.37%	29	5
		<b>\$ 24,607</b>	<b>\$ 10</b>

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**23. Financial risk management (Continued)**

The following table provides comparative information as of December 31, 2019.

	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due) .....	0.02%	\$ 19,041	\$ 3
1 - 30 days past due .....	0.31%	1,067	3
31 - 60 days past due .....	1.66%	90	1
61 - 90 days past due .....	3.84%	31	2
More than 90 days past due .....	16.64%	30	5
		<u>\$ 20,259</u>	<u>\$ 14</u>

The following table shows the movement in expected credit losses that has been recognized for trade receivables:

	Loss allowance
<b>Balance at January 1, 2019</b>	<b>\$ 99</b>
Change in loss allowance.....	(85)
<b>Balance at December 31, 2019</b>	<b>14</b>
Change in loss allowance.....	(4)
<b>Balance at December 31, 2020</b>	<b><u>\$ 10</u></b>

The Company does not require collateral in respect of trade and other receivables.

***Net investment in leases***

Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on the net investment in leases for the year ended December 31, 2020 and 2019.

**Liquidity risk**

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

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting arrangements.

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**23. Financial risk management (Continued)**

<b>As at December 31, 2020</b>	<b>Contractual cash flows</b>				<b>Total</b>
	<b>2021</b>	<b>2022 - 2023</b>	<b>2024 - 2026</b>	<b>2027+</b>	
<b>Non-derivative financial liabilities</b>					
Debt.....	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts payable and accrued liabilities .	40,310	—	—	—	40,310
Other current liabilities.....	—	—	—	—	—
	<u>\$ 40,310</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 40,310</u>
	<b>Contractual cash flows</b>				
<b>As at December 31, 2019</b>	<b>2020</b>	<b>2021 – 2022</b>	<b>2023 - 2025</b>	<b>2026+</b>	<b>Total</b>
<b>Non-derivative financial liabilities</b>					
Debt.....	\$ 34,557	\$ 31,100	\$ —	\$ —	\$ 65,657
Accounts payable and accrued liabilities .	20,383	—	—	—	20,383
Other current liabilities.....	517	—	—	—	517
	<u>\$ 55,457</u>	<u>\$ 31,100</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 86,557</u>

**Market risk**

Market risk is the risk that changes in market prices — such as foreign exchange rates, interest rates and equity prices — will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the returns.

The Company uses derivatives to manage market risks including foreign currency risk and fluctuation in market interest rates.

**Currency risk**

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Company. The functional currency of the Company and its controlled entities is the Canadian dollar (CAD). The currencies in which these transactions are primarily denominated are the Canadian Dollar and U.S. dollar.

Sales of Apollo’s products to customers outside Canada account for a significant percentage of its sales. Apollo also purchases raw materials for its products in world markets, and is subject to fluctuations of local currencies affecting the cost of such products. Exchange rate fluctuations are beyond Apollo’s control and there can be no assurance that such fluctuations will not have a material adverse effect on Apollo’s business.

Apollo hedges its working capital exposure to reduce variability in expected performance arising from changes in foreign currency exchange rates using derivatives. Apollo has a short-term view on foreign exchange which management uses to protect against material fluctuations in exchange rate.

The carrying amounts of the Company’s foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows (presented in United States Dollars):

	<b>U.S. Bank indebtedness</b>	<b>U.S. Accounts receivable</b>	<b>U.S. Accounts payable</b>	<b>U.S. Long term debt</b>	<b>U.S. Derivative Financial Instrument</b>
<b>As at December 31, 2020</b>	(483,000)	19,013,000	(6,786,000)	-	956,000
<b>As at December 31, 2019</b>	(1,098,000)	15,397,000	(3,643,000)	(11,871,000)	(10,000)

**APOLLO HEALTHCARE CORP.**  
**(formerly Acasta Enterprises Inc)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2020 and December 31, 2019**  
**(In thousands of Canadian dollars, except per share amounts, unless otherwise noted)**

**23. Financial risk management (Continued)**

The Company estimates that a 5% weakening (strengthening) of the U.S. dollar relative to the CAD, with all other variables held constant, would result in an annual increase (decrease) of \$808 to foreign exchange gain (loss).

**Interest rate risk**

The Company is exposed to interest rate risk from fluctuations in market interest rates on its variable rate debt. The Company manages interest rate risk by monitoring the respective mix of fixed and variable rate debt. The Company estimates that a 50 basis point increase (decrease) in short term rates, with all other variables held constant, would result in an annual increase (decrease) of \$328 to interest expense and other financing charges.

**24. Capital Management**

The Company's objectives when managing its capital are to maintain a sufficient capital base to: (i) meet its short-term obligations, (ii) sustain future operations and expansions, (iii) ensure its ability to continue as a going concern, and (iv) retain stakeholder confidence. The Company defines capital as its net assets, total assets less total liabilities. As at December 31, 2020, the Company managed net assets of \$96,408 (2019 - \$17,555).

**25. Subsequent Events**

On March 3, 2021, Apollo joined the OTCQX Best Market, an over-the-counter market operated by OTC Markets Group Inc. in the United States, under the ticker "AHCCF".

Subsequent to the year-end, the Company re-purchased and cancelled 23,528 shares under its normal course issuer bid.