Management's Discussion and Analysis

For the Years ended December 31, 2011 and 2010

Dated: April 1, 2012

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Certain statements in this MD&A constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the headings "*Business Outlook*" and "*Risks and Uncertainties*" and other statements concerning the Company's 2011 objectives, strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include the highly competitive nature of the Company's industry, government regulation and funding and other such risk factors described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Other than specifically required by applicable laws, we are under no obligation and we expressly disclaim any such obligation to update or alter the forward-looking statements whether as a result of new information, future events or otherwise except as may be required by law. These forward looking statements are made as of the date of this analysis.

The following is a discussion of the consolidated financial position and the income and comprehensive income of Centric Health Corporation, ("Centric Health" or "Company") for the years ended December 31, 2011 and 2010 and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. The consolidated financial statements for the years ended December 31, 2011 and 2010 are prepared in accordance with International Financial Reporting Standards ("IFRS") which became effective on January 1, 2011 with retroactive application to January 1, 2010. The Company's significant accounting policies are summarized in detail in note 4 of the consolidated financial statements for the years ended December 31, 2011 and 2010. Unless otherwise specified, amounts reported in this MD&A are in thousands, except shares and per share amounts and percentages. The following MD&A is presented as of April 1, 2012. All amounts are disclosed in Canadian dollars. Additional information about the Company, including the most recently filed Annual Information Form, is available on www.sedar.com.

Highlights for the Year Ended December 31, 2011

- Revenue increased by 222% to $201.0 million for the year ended December 31, 2011 as compared to $62.5 million for the year ended December 31, 2010 as a result of the completion of seven notable acquisitions and organic growth;

- Adjusted EBITDA[1] increased to $21.4 million in 2011, as compared to $8.0 million in the prior year and Adjusted EBITDA per share increased 108% to $0.27 per share in 2011 and to $0.21 per share on a diluted basis as compared to 2010;

- All business units performed satisfactorily with the exception of the assessments division whose EBITDA declined by approximately $3.0 million due to legislative changes;

- The Company completed the acquisitions of LifeMark Health Limited Partnership ("LifeMark"), Classic Care Pharmacy Corporation ("Classic Care"), Surgical Spaces Inc. ("SSI"), Dedicated National Pharmacies Inc. ("DNP"), Blue Water Surgical Centre Ltd., Blue Water Rejuvenation Inc., Blue Water Diagnostics Ltd. and Windsor Endoscopy Centre Ltd., and 75% of the outstanding shares in the London Scoping Centre (collectively "BWC"), 75% of Performance Orthotics Inc., Footcare Dispensary Inc., and Foot Stress Inc. (collectively "Performance Medical Group") in 2011 which collectively contributed $132.9 million in revenue for the year ended December 31, 2011;

  - The Company's most significant acquisition during the year was the acquisition of LifeMark on June 9, 2011. This acquisition expanded the Company's physiotherapy, assessments and surgical operations in addition to diversifying the Company into home medical equipment operations;

  - The Company further expanded its pharmacy operations through the acquisition of DNP on August 15, 2011 and Classic Care on November 17, 2011;

  - The Company's surgical and medical operations were expanded into Western Canada through the acquisition of SSI on January 19, 2011 and the acquisition of Canadian Surgical Solutions ("CSS") through the LifeMark transaction. Surgical and medical operations in Ontario were expanded through the acquisition of BWC on August 17, 2011;

- The Company raised net proceeds of $29.8 million through a bought deal in March 2011 as well as an innovative prospectus supplement focusing on staff and healthcare professionals in December 2011;

- On June 9, 2011, simultaneous with the acquisition of LifeMark, the Company entered into a new four year credit agreement with their banking syndicate. The credit agreement included a term-loan with a maximum borrowing limit of $160 million, a revolving credit facility with a maximum borrowing of $35 million, inclusive of a $5 million swing line, and a pre-arranged accordion of $40 million to be made available under the revolving credit facility for acquisitions;

- Following the active mergers and acquisitions activity during the year, the Company bolstered the corporate operations centre including establishing a business development division responsible for integration, rationalization and support services so as to extract synergies throughout the Company;

- The Company now has the largest networks across Canada in physiotherapy assessments, seniors wellness, speciality pharma, orthotics and home medical equipment with a total of 980 locations;

- The Company adopted IFRS for the first time in 2011. The significant impacts from the adoption of IFRS for the Company for the year ended December 31, 2011 included recognizing a non-cash liability on its statement of financial position related to contingent consideration of $68.8 million of which $65.6 million is non-cash contingent consideration. In addition, the Company recognized a non-cash gain of $60.1 million which represents the decrease in fair value of its share-based business acquisition contingent

[1] Defined and calculated in Reconciliation of Non-IFRS Measures

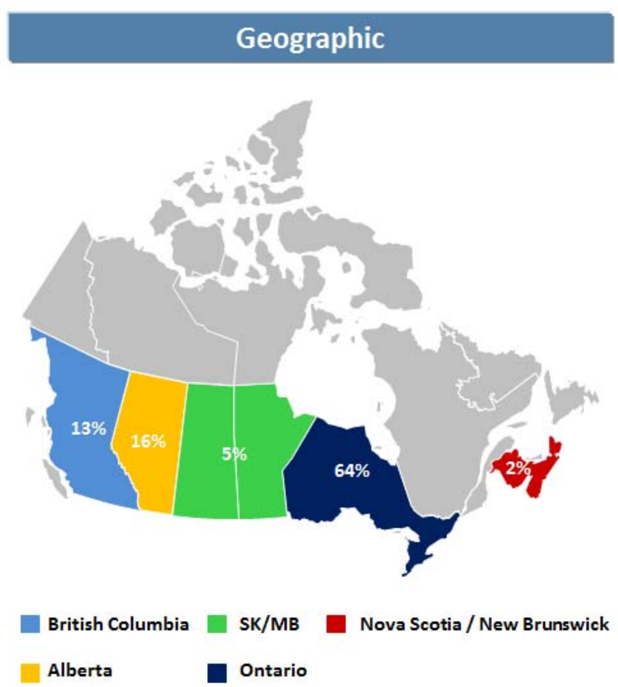
purchase consideration. Previously under Canadian GAAP, contingent consideration was not recognized until earned and formed part of the cost of the acquisition. The Company expensed $8.2 million in transaction and restructuring costs related to its acquisition activities for the year ended December 31, 2011. Under Canadian GAAP, these amounts were deferred and recognized as part of the purchase price of an acquisition.

Business Overview

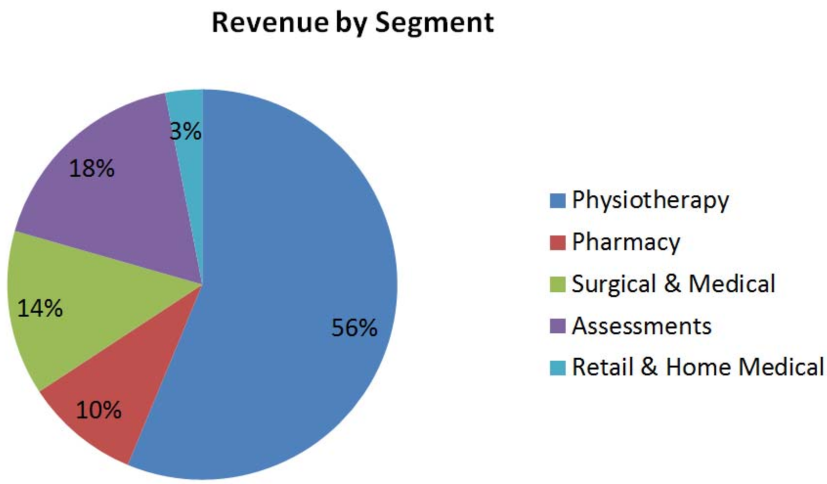
Centric Health Corporation is a Canadian healthcare services company. Through the Company's operations, the Company generates its revenues by providing healthcare services, physiotherapy treatments, disability management, third-party medical assessments, physiotherapy network management, specialty pharmacy, and surgical services to its patients. Services also include homecare and physiotherapy to long-term care and retirement home residents, as well as sales of home medical equipment and orthotics. Centric reaches approximately 980 locations across Canada with 13 surgical operating rooms and services over 45,000 long-term care and retirement home beds through its more than 3,400 healthcare professionals, staff and consultants.

Business Strategy

Centric Health is pursuing a strategy of expansion and aggressive growth through mergers and acquisitions as well as from organic growth opportunities. Centric's acquisitions are targeted towards entrepreneurial companies with a successful track record and intellectual property. This expansion and diversification is primarily into healthcare sectors which, not only demonstrate compelling growth prospects in and of themselves, but also present synergies, rationalization and cross-pollination benefits at all of its sites in creating meaningful shareholder value with an overarching **focus on quality care to our patients**. This diversified strategy across 7 provinces with multiple business units aims to mitigate the various business risks associated with healthcare companies and provide a meaningful platform for sustainable growth. The Company's revenues as earned in 2011 by province and by operating segment are denoted below.



(in thousands of dollars, except share amounts)



Acquisitions in the current year have been focused in physiotherapy and assessment services, surgical clinics, specialty pharmacies, orthotics and home medical equipment operations. The Company's significant acquisitions in 2011 are as follows:

Acquisition	Date of Acquisition	Type of Acquisition	Consideration*	Segment
SSI	January 19, 2011	100% of Shares	Cash - $9,078 Contingent Consideration – Up to 11,827,956 common shares and up to 8,000,000 outperformance warrants	Surgical and Medical Centres
LifeMark	June 9, 2011	100% of Shares	Cash and Assumed Debt - $135,523 Contingent Consideration – Up to 46,875,000 common shares	Assessments Physiotherapy Surgical and Medical Centres Retail and Home Medical Equipment
DNP	August 15, 2011	Assets	Cash - $9,157 Common Shares – 200,000	Specialty Pharmacy
BWC	August 17, 2011	Assets and 75% of Shares of London Scoping Centre	Cash - $8,175 Contingent Consideration – Up to 6,828,846 common shares and up to 3,451,923 outperformance warrants	Surgical and Medical Centres
Classic Care	November 17, 2011	100% of Shares	Cash - $24,809 Common Shares – 11,240,375 Contingent Consideration – Up to 2,810,094 common shares and up to 5,000,000 outperformance warrants	Specialty Pharmacy
Performance Medical Group	December 8, 2011	75% of Shares	Cash - $3,000 Contingent Consideration – Up to 3,000,000 common shares and up to 2,000,000 outperformance warrants	Retail and Home Medical Equipment

* For certain acquisitions cash includes the Company's replacement of existing debt within the acquired company.

Centric Health has a strategic focus to differentiate its services and product offerings by partnering with healthcare professionals and employees to achieve clinical excellence with a focus on the highest standards of care. One of the objectives of the prospectus supplement to the base shelf prospectus filed is to offer Centric Health's staff, associates and healthcare professionals, via a directed share program, an opportunity, to invest in an industry in which they work and understand. Centric Health's long-term objective is that management, staff and healthcare professionals will own between 30% to 40% of the Company. This will allow Centric Health to offer patients an integrated, multi-disciplinary, personalized unique brand of care.

The Company's acquisitions by operating segment are as follows:

Physiotherapy

The most significant acquisition the Company completed in 2011, was the acquisition of LifeMark which was successfully completed on June 9, 2011. LifeMark's operations transcend five of the Company's operating segments and included the acquisitions of the Performance Medical Group and Motion Specialties Inc. ("Motion Specialties") which were among a list of acquisitions in progress by LifeMark which were agreed to be taken into consideration during the performance period in the valuation analysis and formula's relating to the LifeMark transaction.

LifeMark added to Centric's physiotherapy operations through its senior's wellness, rehabilitation and disability management services. LifeMark's business includes over 103 physiotherapy rehabilitation clinics and physiotherapy services to over 100 senior's long-term care and retirement homes, mainly located in Ontario.

Pharmacy

On August 15th, 2011, the Company completed its acquisition of the assets of DNP. This business represents a network of 13 specialty pharmacies across Ontario supporting treatment and care for patients undergoing addiction treatment. DNP has the ability to service 34 addiction treatment centres across Ontario from its facilities.

Consistent with the Company's strategy to expand its pharmacy operations, on November 17, 2011, the Company acquired Classic Care. Classic Care provides pharmaceutical dispensing, delivery and consulting services to over 200 long-term care homes with over 16,000 residents.

Surgical and Medical Centres

On January 19, 2011, the Company acquired SSI. SSI is the owner and operator of two of Canada's leading ambulatory healthcare facilities, in Vancouver, British Columbia and Winnipeg, Manitoba.

The Company acquired the surgical operations of CSS as part of the LifeMark acquisition. CSS expands the Company's surgical offerings into Calgary, Alberta where it operates a fully accredited, 13,000 square foot, surgical facility.

The Company expanded its surgical and medical centre footprint on August 17, 2011, with the acquisitions of the assets of BWC including 75% of the outstanding shares in the London Scoping Centre, which provide surgical and endoscopic procedures in Sarnia, Windsor and London, Ontario.

Assessments

The LifeMark acquisition also added a network of eleven assessment facilities across Canada to its existing assessment operations.

Retail and Home Medical Equipment

The Company expanded into the retail and home medical equipment market through the LifeMark acquisition. The Company acquired corporate-owned medical equipment retail stores and franchises across Canada under the brand name MediChair.

On December 8, 2011, the Company expanded its product offerings with the acquisition of 75% of Performance Medical Group. Performance Medical Group operates clinics in over 50 locations offering state-of-the-art custom orthotics, custom bracing, laser and shockwave therapy.

Subsequent to December 31, 2011, the Company announced that it had completed the acquisition of Motion Specialties. Motion Specialties will meaningfully expand the Company's offering of home medical equipment as it is one of Canada's largest home health care providers. Motion Specialties has 24 locations across Canada and offers a wide range of mobility devices, including: wheelchairs, scooters, walkers, bathroom safety equipment, portable oxygen, Continuous Positive Airway Pressure ("CPAP") machines and home accessibility products such as stair lifts and home elevators.

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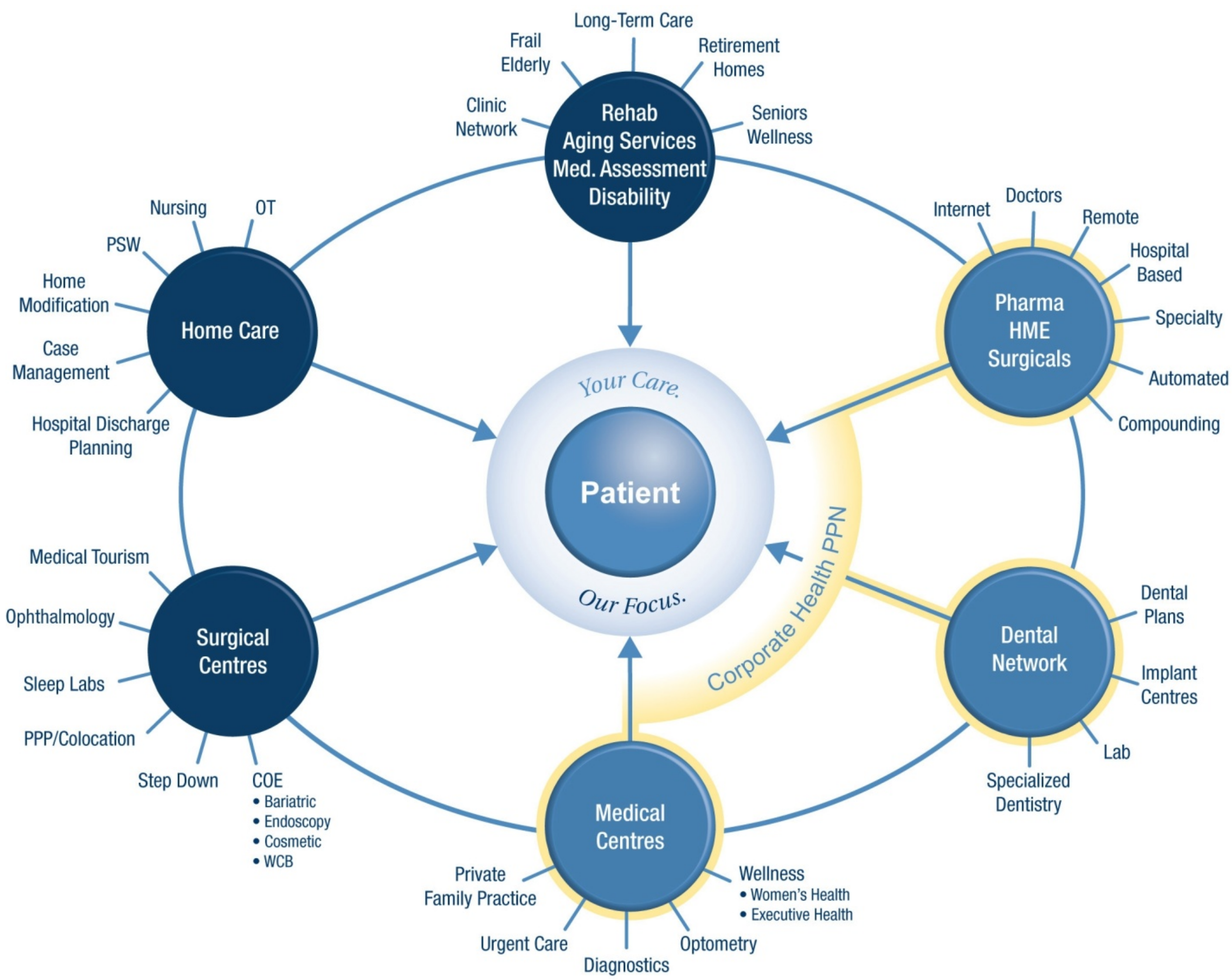
Centric's annual performance reflects the addition of SSI, LifeMark, DNP, BWC, Classic Care and Performance Medical Group operations from their dates of acquisition. It is expected that organic growth, as well as rationalization opportunities resulting in reduced corporate and operating costs as a percentage of revenue will be realized over the next several quarters. Efficiencies have begun to be realized through consolidation of premises, facilitating centralization of support services and staff, and will continue in the coming quarters through IT systems integrations, centralized purchasing and standardization of various transaction streams in the operations of the businesses. The Company's strategy for a diversified portfolio of healthcare operations can be seen through the diagram below.



Business Outlook

The Company anticipates that its financial performance in 2012 and beyond will improve over that of the fourth quarter of 2011. A key strategic objective for the Company is effective integration of acquisitions and driving synergies across its various operations. The Company is focused on developing leverage and cross-selling opportunities in order to drive revenue and income growth. The Company continues to be focused on cost savings through integration of acquisitions, reducing redundancies, and centralizing operational support services. As reported in the third quarter MD&A, the Company anticipates that these activities will result in $5,500 in savings. The Company expects to realize the financial impact of these efforts over the first three quarters of 2012.

The Company is focused on growth in the physiotherapy segment through the acquisition of clinics that will be accretive to income and continued efficiencies through the integration of LifeMark's eldercare operations with the Company's legacy operations. Seasonality factors can cause revenues from clinics in the physiotherapy segment to be lower in the first and third quarters.

While revenues in the medical assessments segment continue to be adversely affected by legislative changes surrounding automobile insurance coverage, substantial efforts were made in the fourth quarter of 2011 to reduce fixed costs and "right size" the business. Revenue for this segment is anticipated to be $12 million to $15 million lower on a pro forma basis. However, due to cost rationalization measures, management is focusing on margin improvement practices to re-engineer the business and ensure future success so that the Company can continue to serve insurers and clients on a national basis with quality care and quality outcomes.

Revenues and EBITDA for the Company's pharmacy, surgical and medical, and retail and home medical equipment segments are expected to increase in the 2012 as compared to 2011 due to organic growth through tenders for contracts, retail initiatives and maximizing the utilization of existing infrastructure. Each of these segments will have the benefit of full year results from businesses that were acquired in 2011. In addition, the retail and home medical segment's revenues and income will increase as a result of the acquisition of Motion Specialties.

Segment Overview

Physiotherapy

The physiotherapy segment is comprised of: a physiotherapy clinic network, 103 physiotherapy LifeMark clinics, seniors' wellness operations and the homecare business operated by Community Advantage Rehabilitation, Inc. ("CAR"). The seniors' wellness and homecare businesses are largely funded by the Ontario Ministry to Health and Long Term Care ("MOHLTC").

This segment also specializes in high quality rehabilitation and disability management services that focus on physiotherapy services to seniors in 454 retirement, assisted-living and long-term care homes with more than 45,000 residents operating primarily in the province of Ontario through its network of independent consultants.

CAR performs homecare services in the communities funded by the Community Care Access Centre ("CCAC") through the MOHLTC. CAR engages occupational therapists, physiotherapists, registered dieticians and social workers to fulfill these services.

Pharmacy

Building on its existing retail pharmacy operations in Newmarket, Ontario, the Company acquired two new pharmaceutical businesses in 2011. DNP and Classic Care provide the Company with niche pharmacy operations in growth healthcare markets. On November 17, 2011, the Company acquired Classic Care which provides pharmaceutical dispensing, delivery and consulting services to long-term care facilities. On August 15, 2011, the Company completed its acquisition of the assets of DNP which is a network of specialty pharmacies that support the treatment and care of patients undergoing addiction treatment. The Company now has 18 pharmacies servicing 34 treatment centres and pharmaceutical dispensing operations that service over 200 long-term care facilities with over 16,000 residents.

Surgical and Medical Centres

Centric Health has 7 Surgical and Medical Centres across Canada with a total of 13 operating rooms and 86 beds. The segment is comprised of the operations of Don Mills Surgical Unit Ltd. ("DMSU"), SSI, CSS and BWC.

Centric acquired BWC on August 17, 2011, which expanded the Company's surgical and medical offerings in southwestern Ontario. BWC provides surgical and endoscopic procedures in Sarnia, Windsor and London, Ontario.

CSS was acquired on June 9, 2011 as part of the LifeMark transaction and performs primarily orthopedic surgical procedures from its fully accredited, 13,000 square foot, non-hospital surgical facility in Calgary, Alberta. CSS has general and orthopedic surgeons on its roster that mainly perform procedures as required by the Alberta Workers Compensation Board. CSS annually performs approximately 1,200 day-surgeries in addition to its inpatient surgical procedures.

Centric completed its acquisition of SSI on January 19, 2011. SSI operates two surgical and medical centres in Vancouver and Winnipeg. Its Vancouver facility is equipped to offer full primary care, emergency care, diagnostic services, including CT and MRI scan capabilities, as well as a wide breadth of surgical services. Surgical specialties include plastic, reconstructive, cosmetic, orthopedic, gynecology, urology, neurosurgery and otolaryngology. SSI's customers include regional health authorities, workers' compensation boards, non-residents, private patients and various governmental agencies.

DMSU is an accredited, Toronto-based hospital operating since 1966 under Ontario's Private Hospitals Act and licensed by the MOHLTC. DMSU specializes in a mix of surgical services. Affiliated surgeons maintain active practices within their specialty areas and are members of the Royal College of Physicians and Surgeons. The hospital is licensed to service 20 overnight stay beds. During the year ended December 31, 2011, the Company began operations of the sleep clinic at the DMSU location. DMSU retains full-time, part-time and casual nursing and administrative staff of 18 people.

Assessments

Arising from the Company's right-sizing activities, the assessments segment is currently comprised of 8 medical assessment facilities across Canada forming part of the original Centric Workable division as well as the assessment businesses of LifeMark. The operations in the assessments segment are preferred providers to a number of insurance companies in Canada. The Company has over 30 preferred provider assessment agreements and 3,750 assessors including 600 physicians.

This segment focuses on assessing and treating patients who have suffered motor vehicle and workplace injuries by providing independent evaluations to insurers, workers compensation boards and employers across Canada. Through relationships with patients, insurers, workers compensation boards and employers, the Company is providing superior service to its clients and patients by promoting best practice rehabilitative treatment plans and constantly compiling and analyzing data on patient outcomes.

Revenues and margins of the segment have been negatively impacted by the regulatory reform, a decline of 38% in motor vehicle accidents in Ontario ascribed to good weather, as well as consolidation within the industry. Management continues to pursue revenue-generating opportunities in the segment to mitigate the effect of regulatory changes and navigate the best outcomes for patients and the business. The outlook for this segment remains positive given its increased national presence as well as implementation of efficiencies and cost savings in operations.

Retail and Home Medical Equipment

The Company diversified its services into retail and home medical equipment in 2011 through the acquisitions of MediChair as part of the LifeMark transaction, and the acquisition of Performance Medical Group**.** In addition, in February 2012, the Company further expanded its home medical equipment services through the acquisition of Motion Specialties and its 24 locations across Canada. With the acquisition of Motion Specialties, the Company now has over 140 retail and home medical equipment locations across Canada.

MediChair operates 5 company owned retail outlets and has 66 franchised locations across Canada. MediChair specializes in the sales of various wheelchairs and accessibility equipment for the home. The results of MediChair include corporate-owned stores as well as royalties earned from franchised stores.

Performance Medical Group operates from clinics in over 50 locations offering state-of-the-art custom orthotics, custom bracing, laser and shockwave therapy.

(in thousands of dollars, except share amounts)

Selected Financial Information

The following selected financial information for the years ended December 31, 2011, and 2010, has been derived from the consolidated financial statements for years ended December 31, 2011 and 2010, and should be read in conjunction with those financial statements and related notes. The results of acquisitions made in the current year are added from their respective dates of completion. Non-IFRS measures are defined and reconciled in the section immediately following the selected financial information.

	Years ended December 31,					
		2011		2010		
		$		$		% Change
Revenue		**200,992**		62,482		222%
Income from operations		**6,812**		7,442		(8%)
% of revenue		**3.4%**		11.9%		
Income before interest expense and income taxes		**1,349**		5,228		(74%)
EBITDA [2]		**73,282**		6,540		1,021%
Adjusted EBITDA[3]		**21,385**		7,993		168%
Per share - basic ($)	**$**	**0.27**	$	0.13	**$**	108%
Per share – diluted ($)	**$**	**0.21**	$	0.11	**$**	91%
Adjusted EBITDA margin		**10.6%**		12.8%		
Current income tax expense		**2,916**		1,559		NM
Deferred income tax (recovery) expense		**(4,834)**		369		NM
Net (loss) income		**(8,978)**		2,262		(497%)
Per share ($) – basic	**$**	**(0.11)**	$	0.04	$	NM
Per share ($) – diluted	**$**	**(0.11)**	$	0.03	$	NM
Weighted average shares outstanding [4]		**80,656**		61,176		NM
Shares outstanding December 31, [4]		**98,220**		62,090		NM

[2] EBITDA includes a non-cash gain of $60,078 arising from the change in fair value of non-cash contingent consideration and a non-cash impairment of $52,801

[3] Defined in Reconciliation of Non-IFRS Measures

[4] Excludes restricted and escrowed shares

[NM] Not meaningful

(in thousands of dollars, except share amounts)

Reconciliation of Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as EBITDA, Adjusted EBITDA and Adjusted EBITDA per share. These non-IFRS measures are not recognized under IFRS and, accordingly, shareholders are cautioned that these measures should not be construed as alternatives to net income determined in accordance with IFRS.

EBITDA and Adjusted EBITDA

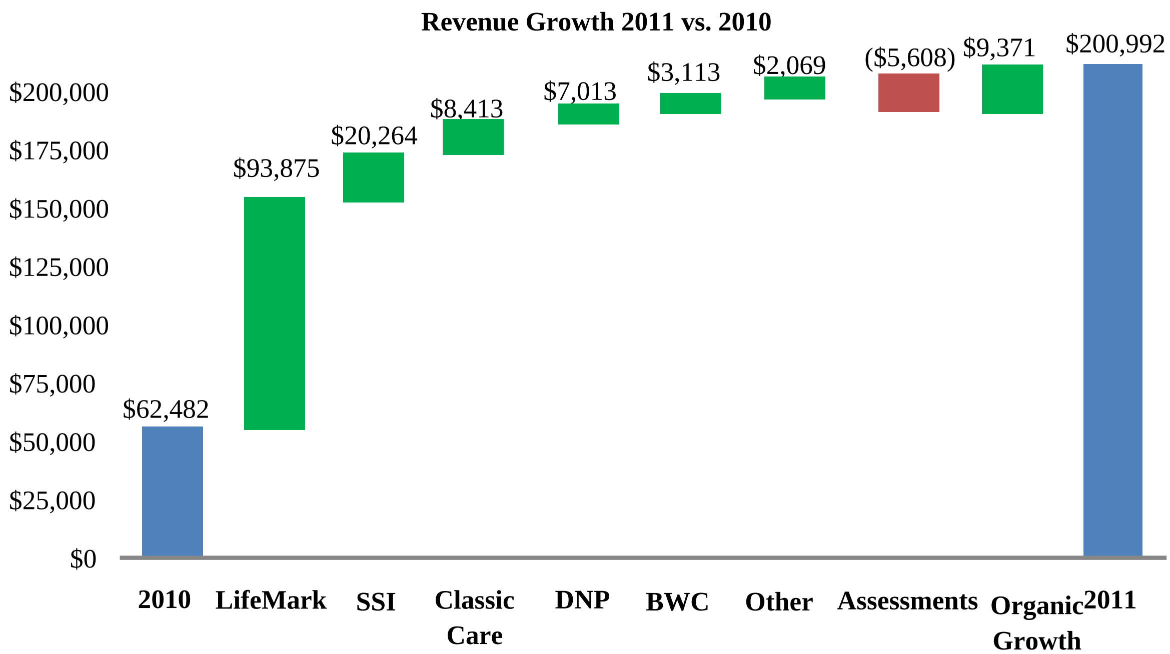
The Company defines EBITDA as earnings before interest expense, income taxes, amortization, impairments and stock-based compensation expense. Adjusted EBITDA is defined as EBITDA before transaction costs related to acquisitions and changes in the fair value of the contingent consideration liability recognized in the statement of income. Management believes that Adjusted EBITDA is a useful financial metric as it assists in the ability to measure cash generated from operations. EBITDA and Adjusted EBITDA are not recognized measures under IFRS.

	2011	2010
	$	$
Net (loss) income	**(8,978)**	2,262
Amortization	**14,573**	551
Interest expense	**12,245**	1,038
Change in fair value of derivative financial instruments	**1,396**	-
Stock-based compensation	**3,163**	761
Impairments	**52,801**	-
Income taxes	**(1,918)**	1,928
EBITDA	**73,282**	6,540
Transaction and restructuring costs	**8,181**	1,141
Change in fair value of contingent consideration liability	**(60,078)**	312
Adjusted EBITDA	**21,385**	7,993
Basic weighted average number of shares	**80,656**	61,176
Adjusted EBITDA per share (basic)	**$ 0.27**	$ 0.13
Fully diluted weighted average number of shares	**102,491**	72,696
Adjusted EBITDA per share (diluted)	**$ 0.21**	$ 0.11

Results of Consolidated Operations

Revenues

The Company's revenue for the year ended December 31, 2011, increased by $138,510 to $200,992 as compared to the prior year. The increase was due mainly to growth from acquisitions. Revenue growth from current year acquisitions include $93,875 from LifeMark, $20,264 from SSI, $7,013 from DNP, $3,113 from BWC, $8,413 from Classic Care and $204 from Performance Medical Group. In addition, the prior year acquisitions of CAR and pharmacy operations increased revenue by $1,864 as 2011 was the first year where full year results were consolidated for these operations. The balance of the revenue increase of $9,371 can be attributed to organic growth, synergies resulting from acquisitions and growth strategies with a significant portion of the increase attributed to the Company's physiotherapy operations. This is offset by a decline of $5,608 in assessment revenues due to changes in government regulations in the assessments sector.



Physiotherapy revenue of $112,307 in 2011 is comprised of fees for services rendered to patients for rehabilitative services through owned physiotherapy clinics as well as a managed network of member clinics. Fees are charged to patients, insurance providers and government insurance plans and agencies for treatment services rendered in long-term care and retirement homes as well as for occupational therapy, nursing, social work and home care provided to patients through the CCAC.

Pharmacy revenues of $19,235 in 2011 are sales of prescription drugs and over-the-counter and sundry retail items. These revenues are paid by private or government insurance plans or directly from the patient. The pharmacy segment began operations October 1, 2010 and therefore does not have comparative data from for the full year ended December 31, 2010.

Surgical and Medical revenues of $27,626 in 2011 are comprised of fees for surgeries, consultations, diagnostic studies and procedures booked through the Company's facilities, and for the use of the Company's facilities by third parties such as medical practitioners with outside practices and government agencies such as regional health authorities.

Assessments revenue of $35,654 in 2011 is comprised of fees for services rendered to auto insurers, workers compensation boards and employers for assessment services rendered through owned assessment clinics as well as a managed network of member facilities.

Retail and home medical equipment revenue of $6,170 in 2011 is derived from sales of orthotics by the Performance Medical Group, through retail sales by MediChair corporate-owned stores and from royalties earned through MediChair franchisees. MediChair sells wheelchairs, ramps, lift chairs, mobility scooters, walkers and other home medical equipment. This is the first year of operations for the retail and home medical equipment segment and therefore there is no comparative information for the year ended December 31, 2010.

Expenses

Cost of healthcare services and supplies includes practitioner consultant fees associated with the physiotherapy, assessment and surgical services, the cost of medical and physiotherapy supplies in these businesses and the cost of pharmacy and home medical equipment inventory sold.

Cost of healthcare services and supplies for the year ended December 31, 2011, was $112,836 compared to $39,229 in the prior year. Employee costs include salaries and benefits of employees working directly in each business segment. For the year ended December 31, 2011, employee costs were $32,340 compared to $7,572 in the prior year. Other operating expenses include occupancy costs, insurance, communication, advertising and promotion and administrative expenses incurred at the operational level. Other operating expenses for the year ended December 31, 2011, were $23,147 compared to $3,334 in the prior year. Corporate office expenses include salaries and benefits, occupancy costs, insurance, communication, advertising and promotion and other costs of the corporate offices. The corporate office supports human resources, finance and information technology as well as the executive management of the Company. Corporate expenses for the year ended December 31, 2011, were $11,284, compared to $4,354 in the prior year. The support services provided through the corporate offices largely support the operations of the Company and certain of these costs have been allocated to the operating segments based on the extent of corporate management's involvement in the reportable segment during the period. The increase in these costs and expenses can be attributed to the increase in revenues from acquired businesses as well as further bolstering central support services for the underlying operations. It is expected that continued focus on value add, support and further efficiencies in these corporate services will result in the corporate costs as a percentage of the Company's revenue improving on a go-forward basis.

Depreciation and amortization increased by $14,022 as compared to the prior year. The majority of this increase is a result of the amortization of intangible assets recognized in the allocation of identifiable assets from the Company's current year acquisitions. The amortization of intangible assets was $11,240 higher than the prior year. The remaining increase in depreciation and amortization is directly a result of increased depreciation of property and equipment as the Company's capital asset base has grown through current year acquisitions.

For the year ended December 31, 2011, income from operations, expressed as revenue less cost of healthcare services and supplies, employee costs, other operating expenses, corporate office expenses and depreciation and amortization was $6,812 or 3.4% of revenues. For the year ended December 31, 2010, income from operations was $7,442 or 11.9% of revenues. As a percentage of revenue, income from operations decreased from the same period in the prior year due to the added costs of the acquired businesses, differences in margins for the various business segments and increased amortization expense from intangible assets recognized from current year acquisitions. The added costs from acquired businesses are largely due to the addition of key management appointments, research and development staff and administrative costs from the acquired operations. Certain costs incurred in the current year also include severances as the Company is focused on streamlining its operations and eliminating any redundancies. It is the Company's expectation that income from operations will improve in the future through the implementation of cost-savings initiatives at the operational and corporate levels. The corporate administrative functions were aligned and consolidated into one location by the end of 2011.

Stock-based compensation, a non-cash expense, increased by $2,402, to $3,163, for the year ended December 31, 2011. This increase is due to restricted shares and stock options being expensed over their vesting periods, a change in amortization policy to graded vesting due to the implementation of IFRS, and an increase in the fair value of stock-based compensation due to an increase in the value of the common shares of the Company.

(in thousands of dollars, except share amounts)

Interest expense for the year ended December 31, 2011, increased by $11,207 to $12,245. Interest expense relates to the term loan and revolving facility arranged in June 2011, the distribution on preferred partnership units, the revolving operating facility arranged in October, 2010, the related party loans obtained in November, 2010, the capital leases assumed in the acquisition of SSI and BWC and the amortization of an interest rate swaps which do not qualify for hedge accounting treatment.

	Years ended December 31,	
	2011	2010
	$	$
Interest on long-term loan and revolving facilities	**4,835**	572
Amortization of loan arrangement fees	**2,188**	278
Distribution on preferred partnership units	**3,791**	-
Interest on related party debt	**500**	92
Accretion of related party discounts	**841**	71
Interest on capital leases	**183**	-
Accretion on interest rate swap	**-**	(67)
Total interest expense	**12,338**	1,080
Interest income	**93**	42
Net interest expense	**12,245**	1,038
Change in fair value of derivative financial instruments	**1,396**	-
Total interest and interest-related expenses	**13,641**	1,038

Transaction and restructuring costs increased by $7,040 to $8,181 for the year ended December 31, 2011 as compared to the prior year. This increase is a result of the Company completing seven notable acquisitions in 2011 as compared to three acquisitions in 2010. Transaction costs represented 2.5% of the aggregate transaction values which was within the Company's expectations.

The Company recorded a goodwill impairment loss of $50,000 most of which arose from the acquisition of LifeMark. A significant portion of the consideration paid for LifeMark in June 2011 included shares of the Company to settle the contingent consideration portion of the purchase price. The value of contingent consideration was initially valued based on the Company's share price at the date of acquisition which was $2.90 per share. This substantially increased the cost of the acquisition and related to the recognition of goodwill. The Company's share price at December 31, 2011 was $1.59. The Company revised its estimate for the amount of contingent consideration that the vendors of LifeMark will receive at the conclusion of their earn-out period. This revision has reduced the contingent consideration obligation and the Company's assessment of the LifeMark fair value for the purposes of assessing impairment of goodwill and indefinite life intangible assets acquired with the acquisition of LifeMark.

The Company also recognized an impairment of $872 with regards to certain prescription files in their pharmacy operations as the attrition rate for these files was more rapid than the Company had estimated.

The Company recognized an impairment of $1,929 for the year ended December 31, 2011 on a loan receivable from PrevCan Inc. The Company had loaned funds to PrevCan Inc. on a periodic basis and the loan matured on January 31, 2012. The loan is payable at PrevCan Inc.'s option in either cash or shares in Prevcan Inc., representing a 50% fully diluted interest. In accordance with the loan agreement, the Company expects PrevCan Inc. to settle this liability by issuing shares in PrevCan Inc..

For the year ended December 31, 2011, the Company recognized a gain on the fair value of its contingent consideration liabilities of $60,078, as compared to a loss on the fair value of contingent consideration of $312 in the prior year. The Company is required to value contingent consideration liabilities pursuant to its business combination activities. The Company's common share price fluctuated significantly throughout 2011 which affected the basis on which contingent consideration liabilities are valued at the end of each reporting period. As part of the Company's acquisition strategy, partial consideration for acquired businesses is paid in shares and/or warrants of the Company. The Company's valuation method to determine the value of contingent consideration is largely based on the value of common shares including a discount to reflect that the shares are not freely tradable until they are released from escrow and the probability of the acquired business achieving stated performance targets. Warrants accrue to the vendors subject to achieving outperformance of earnings targets. The valuation of contingent consideration on the date the acquisition closes becomes part of the total consideration in the purchase price allocation. Subsequently, the contingent consideration is revalued on each reporting date with changes in fair value flowing through the statement of income. The major factor for the non-cash change in fair value for the year ended December 31, 2011, was primarily the effect on the LifeMark contingent consideration liability of the decrease in the Company's share price from $2.90 per share on June 9, 2011, the date of the acquisition of LifeMark, to $1.59 per share at December 31, 2011. The estimate of LifeMark achieving its performance targets has been reduced to a probability of 50% to 70% as a result of the actual and estimated EBITDA for LifeMark for its earn-out period as compared to the targeted EBITDA in the LifeMark acquisition agreement. Every $1 million change in actual EBITDA for LifeMark results in a change of approximately 6 million common shares that could be earned and issued from escrow. A maximum of 48,750,000 common shares can be issued to the vendors of LifeMark from the earn-out terms in the acquisition agreement.

(in thousands of dollars, except share amounts)

The Company's contingent consideration from notable 2011 acquisitions is outlined in the table below:

Acquisition	**Effective Date of Acquisition**	**Proforma Revenue from Jan 1/11 to Dec 31/11**	**Warranted EBITDA (Average over earn-out period)**	**Escrowed Shares**	**Estimated Probability of Achieving Performance Targets**
SSI	January 1, 2011	$20,264	$4,100	11,827,956	Settled – 10,127,956 common shares issued subsequent to December 31, 2011, no warrants issued, and 1,700,000 shares cancelled subsequent to year end
LifeMark	June 9, 2011	$167,877	$29,200*	46,875,000	Common Shares – 50% to 70%
BWC	August 17, 2011	$10,057	$4,650	6,828,846	Common Shares – 50% - 70% Warrants – 10%
Classic Care	November 17, 2011	$65,532	$6,670	2,810,094	Common Shares – 100% Warrants – 25%
Performance Medical Group** (75% ownership)	December 8, 2011	$1,277	$2,750	3,000,000	Common Shares – 100% Warrants – 10%

* Excludes the impact of LifeMark acquisitions in progress that are considered as part of the contingent shares that may be issued.

** Included as a LifeMark acquisition in progress.

(in thousands of dollars, except share amounts)

Income taxes shifted from an expense of $1,928 in the prior year to a recoverable amount of $1,918 in the current year. Income tax expense is calculated at the statutory rate of 29.74% and is applied on income before taxes adjusted for items that adjust income for tax purposes, primarily stock-based compensation, changes in fair value of contingent consideration, transaction costs, losses carried forward, capital cost allowances and eligible capital deductions.

Deferred income tax assets and liabilities recognized on the consolidated statement of financial position reflect tax on temporary differences expected to reverse in 2012 and beyond.

For the year ended December 31, 2011, the Company was in a recoverable position as the Company has non-taxable amounts in income related to the change in fair value of contingent consideration, in addition to the Company using capital cost allowances and eligible capital deductions to offset income from operations.

Results of Segmented Operations

This section presents the results of operations for the year ended December 31, 2011 for the various operating segments of the Company. These segments have been updated for the year ended December 31, 2011 given the acquisitions completed and overall growth of the Company. Operating segments, as reported to the Chief Operating Decision Makers ("CODM") are as follows: Assessments, Physiotherapy, Surgical and Medical Centres, Pharmacy and Retail and Home Medical Equipment.

Years ended December 31,	**Revenue**		**Adjusted EBITDA**	
	2011	2010	**2011**	2010
	$	$	**$**	$
Physiotherapy	**112,307**	37,995	**13,460**	6,847
Pharmacy	**19,235**	1,203	**1,622**	37
Surgical and Medical Centres	**27,626**	1,394	**3,321**	7
Assessments	**35,654**	21,890	**6,306**	5,682
Retail and Home Medical Equipment	**6,170**	-	**1,381**	-
Corporate	**-**	-	**(4,706)**	(4,580)
Total	**200,992**	62,482	**21,385**	7,993

Physiotherapy

Revenue for the physiotherapy segment increased by $74,312 or 196% to $112,307 as compared to the prior year. Of this growth, $58,601 in attributable to new revenue from the acquired LifeMark's operations, including its seniors' wellness division and the operations of over 100 clinics. The Company's homecare business grew by $1,446 million on a year over year basis. The remainder of the growth is due to organic growth in the seniors' wellness business through successful awards of new contracts with long-term care and retirement home providers. Seniors' wellness added 6,620 new beds in its existing business for the year ended December 31, 2011. In addition, 12,174 beds were added through the LifeMark acquisition on June 9, 2011. Seniors' wellness and homecare is based in Ontario and the majority of revenue is funded through various government insurance programs and agencies related to the MOHLTC.

EBITDA increased from $6,847 in the prior year to $13,460 in 2011. EBITDA as a percentage of revenue decreased from 18% in the prior year to 12% in the current year. Contributing to this decrease is that the Company incurred certain one-time costs in the integration of LifeMark's existing physiotherapy operations with the Company's legacy operations.

Pharmacy

Pharmacy revenues increased from $1,203 in 2010 to $19,235 in 2011. The significant increase in pharmacy revenue can be attributed to the acquisitions of DNP on August 15, 2011 and the acquisition of Classic Care on November 17, 2011. The acquisition of DNP added $7,013 in revenue and the acquisition of Classic Care added $8,413 in revenue for the year ended December 31, 2011. The Company's pharmacy operations continue to pursue revenue-generating and diversification strategies to improve its performance. The number of prescriptions filled month-to-month has improved since the beginning of 2011.

EBITDA increased by $1,585 to $1,622 on a year over year basis. This increase can mainly be attributed to the added profits from DNP and Classic Care which businesses generate higher margins as compared to the Company's legacy operations.

Surgical and Medical Centres

Revenue generated by the Surgical and Medical segment in 2011, was $27,626 as compared to $1,394 in 2010. This revenue increase from the prior year is a result of the acquisition of SSI effective January 19, 2011, the acquisition of CSS as part of the LifeMark transaction on June 9, 2011 and the acquisition of BWC on August 17, 2011. For the year ended December 31, 2011, SSI contributed $20,264, CSS contributed $2,705 and BWC contributed $3,113 to the increased revenue from the surgical and medical centres. The increase from the comparative period is primarily due to the addition of these businesses in the current period.

The impact of the SSI acquisition from early 2011 as well as the CSS acquisition from LifeMark has resulted in 83% of the Company's surgical and medical revenue to be derived from Western Canada. In the coming quarters, the acquisition of BWC will diversify the surgical and medical revenue between Ontario and Western Canada.

EBITDA increased from $7 for the year ended December 31, 2010 to income of $3,321 for the year ended December 31, 2011. This can be attributed to the three acquisitions in this segment as these operations tended to have higher margins than the Company's base operations.

Assessments

Revenue increased by $13,764 or 63% and from 2010 to 2011. This increase in revenue is due to the acquisition of LifeMark. EBITDA increased from $5,682 in 2010 to $6,306 in 2011 however EBITDA as a percentage of revenue decreased from 26.0% in 2010 to 17.7% in 2011 resulting in a reduction in EBITDA for the year of $2,959. The Company incurred certain redundant costs in the current year with the acquisition of LifeMark as well as business re-engineering and downsizing costs arising from regulatory reforms. The Company continues to work towards consolidation of administrative and support staff to improve the efficiency of operations supporting the underlying businesses as well as rationalization of costs.

Referrals from auto insurers have declined throughout the year as a result of regulatory reform in this segment. The regulatory reform included changes to minor injury guidelines, price caps, changes in case-mix of referrals and consolidation within the industry. The impact of the implementation of regulatory reforms enacted in September 2010 has been mitigated somewhat by the acquisition of the new businesses; however, the acquired assessment businesses have also seen challenges in their ability to perform to targeted revenue and profit margins. Challenges in growing the business remain a reality and the Company is working towards increasing market share to mitigate the negative impact due to changes in the case-mix and effects of price caps imposed by regulatory reforms. The Company has worked diligently to make cost-effective changes in the division to maintain profit margins including consolidating the administration of the business into a single location and aligning the businesses onto one operating system.

In addition to the cost saving measures in progress, the Company is aggressively pursuing revenue generating opportunities with auto insurers and workers compensation boards and has successfully obtained additional contracts with insurers in the current year for future work due to its national representation and focus on quality treatment, care and outcomes. The acquisition of LifeMark benefits the overall segment by adding critical mass in the national market, providing greater diversification within the auto insurance industry, adding disciplines to our current assessor roster and adding resources to allow the business to capitalize on opportunities within the disability, employer and government markets.

Retail and Home Medical Equipment

The retail and home medical equipment segment is a new segment for the Company in 2011. This segment comprises the operations of MediChair and Performance Medical Group. MediChair was acquired as part of the LifeMark transaction and is a franchise company with retail outlets across Canada. MediChair specializes in the sales of various wheelchairs and accessibility equipment for the home. The results of MediChair include retail sales through four corporate-owned stores as well as royalties earned from franchised stores. As LifeMark was acquired on June 9, 2011, the results reported for MediChair for year ended December 31, 2011 are only from its date of acquisition. Subsequent to December 31, 2011, the Company completed its acquisition of Motion Specialties Inc., which will increase the Company's national presence in the home health care sector. On December 7, 2011, the Company also acquired Performance Medical Group which generates a significant portion of its revenue from the sales of orthotics.

Liquidity and Capital Resources

The main working capital requirement relates to the financing of accounts receivable which are primarily from the MOHLTC, other government agencies, employers and insurance companies. These receivables totaled $40,495 at December 31, 2011. The amounts due from MOHLTC are largely financed by accounts payable to third-party service providers who typically are paid after payment for the related service is received. The Company has put focus on its collection efforts as some of their largest insurance customers have balances falling outside of expected payment terms. Management has spent considerable time and resources on investigating and resolving these issues; and, has found that the transition to mandated electronic processing by the insurance providers has contributed to the increased administrative time in processing invoices and payments.

The Company entered into a new term loan agreement with a syndicate of Canadian banks. The Term Loan has a limit of $160,000 and a term of four years. The Term Loan accrues interest at variable rates based on prime; interest is payable monthly, in arrears. The Company is required to make quarterly principal payments according to the terms of its borrowing agreement. Principal repayments required in the twelve months subsequent to December 31, 2011, total $12,500. In addition to the Term Loan, the syndicate has also provided the Company with a Revolving Facility with a limit of $35,000, also for a term of four years and accrues interest at variable rates based on prime. The facility that was previously in place was cancelled upon entering into the new agreement. As at December 31, 2011, the Company had borrowed $155,000 against the Term Loan and $26,888 against the Revolving Facility. The Company has made principal repayments of $5,000 against the Term Loan in the year ended December 31, 2011. The Company is subject to certain financial covenants under its Term Loan and Revolving Facility. The Company did not meet certain of its financial performance covenants at December 31, 2011. As required under IFRS, the Company has presented its net Term Loan balance of $149,023 and Revolving Facility balance of $26,888 as current liabilities. The Company's repayment schedule has not been amended as a result of not meeting certain financial performance covenants. The Company has obtained a waiver with regards to not meeting certain financial performance covenants from its lenders subsequent to year end.

The Company anticipates that, based on meeting its approved 2012 operating budget, excluding covenant matters addressed above, it will generate sufficient cash flow from operations in 2012 to meets its obligations as they come due. However, based on the existing levels of cash flow and debt and the need to fund new acquisitions or significant additional capital expenditures, the Company may need to consider additional sources of capital including raising additional equity, based on suitable market conditions, which will better balance the Company's debt to equity ratio. Without additional equity contributions or refinancing, the Company may not meet certain financial performance covenants in 2012 under its Term Loan and Revolving Facility. Once the first quarter of 2012 has been completed, the Company will be in a better position to assess the extent of 2012 covenant compliance and consider and arrange alternatives including negotiating revisions to the lending agreement to change covenants to levels consistent with expected performance. In addition, the Company is exploring various equity alternatives including through private placements or through a public offering from the base shelf prospectus completed in October 2011. There can be no certainty that the Company will be able to negotiate revised covenants with its lenders.

The Company has also obtained additional funding in terms of a pre-arranged accordion of $40,000, to be made available under its revolving facility, from its lenders for acquisitions.

The Term Loan is presented net of loan arrangement fees in the statement of financial position. Loan arrangement fees are amortized using the effective interest method over the term of the loan. The Company consistently generates positive operating cash flows which are not subject to significant seasonal fluctuations and incurs minimal bad debt expenses.

Management believes that the cash generated by the existing business will be sufficient in the short to medium term for existing general corporate expenditures and working capital purposes in its existing business. Longer-term capital requirements will depend on many factors including the number and size of acquisitions completed, the rate of growth of the Company's client base, and the cost of expanding in new markets for existing and new healthcare services. The Company filed a base shelf prospectus on October 21, 2011, to raise additional capital of up to $265,500 through the issuance of debt securities, common shares and share purchase warrants. The Company's first public offering, strategically focusing on its staff and healthcare professionals through a directed share program, was completed in two closings of December 2011 and February 2012 and raised a total of gross proceeds of $13,610.

Cash flow activities for the year ended December 31, 2011 were as follows:

Operating Activities

For the year ended December 31, 2011, cash provided by operating activities was $7,598, compared to $5,313 provided by operating activities for the same period in 2010. Included in operating activities are transaction costs incurred of $8,181 for the year ended December 31, 2011. Cash provided by operating activities, exclusive of transaction costs, is $15,779 for the year ended December 31, 2011.

Non-cash working capital used in operations $3,591 for the year ended December 31, 2011, versus $834 in the prior year. The Company used more cash in operations due to increased payments related to acquired liabilities from businesses acquired during the year.

Investing Activities

For the year ended December 31, 2011, the Company used $141,076 for investing activities as compared to $11,800 for the year ended December 31, 2011. The Company used $138,097 for the acquisitions of businesses which is consistent with the Company's growth strategy. The cash consideration component of 2011 acquisitions included $83,200 for the LifeMark, $24,809 for Classic Care, $9,157 for DNP, $8,828 for SSI and $8,000 for BWC.

The purchase of property and equipment for the year ended December 31, 2011 was $4,139 as compared to $515 for the prior year. Included in the equipment purchased in 2011 was capital equipment used in the surgical business and leasehold improvements to the Centric Seniors' Centre and other facilities. Intangible assets purchased during 2011 were mainly computer software.

Financing Activities

During the year ended December 31, 2011, the Company obtained a term loan and revolving facility to complete the LifeMark transaction. Under the term loan, the Company borrowed $160,000 which is shown, net of unamortized loan arrangement fees on the statement of financial position. The Company has also borrowed $26,888 under the revolving facility. During the year ended December 31, 2011, the Company repaid borrowings of $75,965, including the required principal repayment of $5,000 on its existing term loan and approximately $51,200 in existing debt in LifeMark, upon acquisition. Under the term loan, the Company was advanced an additional funding to complete its acquisitions of DNP, BWC, Classic Care and Performance Medical Group. The Company paid $8,818 in cash interest on its borrowings for the year ended December 31, 2011.

During 2010, the Company entered into loan agreements with a related party totaling $10,000. The loans were granted pursuant to two promissory notes. One bears interest at 6% with a conversion feature, and the other bore interest at 7% with no conversion feature. In addition to the promissory notes, the related party was issued a warrant to purchase 1,000,000 common shares of the Company at the price of $1 each. The warrant expires on November 9, 2013. On June 9, 2011, the 7%, non-convertible related party loan in the amount of $5,000 was repaid, with accrued interest of $66.

During the year ended December 31, 2011 the Company received net proceeds of $29,858 in cash for the issuance of shares through public and private placements, the exercise of stock options and the exercise of warrants.

Equity

As at December 31, 2011, the Company had total shares outstanding of 170,162,147. The outstanding shares include 71,341,896 shares which are held in escrow and will be released to certain vendors of acquired businesses based on the achievement of certain performance targets. In the event that performance targets are not met, escrowed shares are subject to reduction based on formula's specific to each transaction. In addition, there are 600,000 restricted shares held by the CEO which vest over time as discussed in Note 18 to the Company's 2011 consolidated financial statements. Escrowed and restricted shares are not reflected in the shares reported on the Company's financial statements. Accordingly, for financial reporting purposes, the Company reported 98,220,254 common shares outstanding as at December 31, 2011 and 62,090,095 shares outstanding at December 31, 2010.

The calculation and release of escrowed shares to a vendor is subject to the acquired business achieving certain financial performance targets. In October 2011, the Company issued 714,284 shares to the vendors of CAR as share-based contingent consideration for achieving the first year earnings targets. The market value of the shares on the issue date was $1,000 which was recorded as an increase in share capital and a reduction of the contingent consideration liability on the date of issuance.

The period of evaluation for performance targets relating to the SSI acquisition concluded on December 31, 2011. SSI achieved certain performance targets and as a result, subsequent to year end 10,127,956 shares of the 11,827,956 SSI escrowed shares will be released from escrow to the SSI vendors. The remaining 1,700,000 shares in escrow will be cancelled.

The Company issued 19,223,000 shares through private and public placements in 2011. The Company issued 17,940,000 through a private placement and 1,283,000 through a public financing. On December 7, 2011, the Company announced a public offering primarily focused on staff and healthcare professionals of up to 3,000 units at a price of $10 per unit for total gross proceeds of up to $30,000. A unit consisted of $2 worth of common shares priced at a 10% discount to the volume weighted average trading price of the Company's common shares listed on the TSX for the five consecutive trading days immediately preceding the date of the pricing of the offering, $8 of unsecured, subordinated, convertible notes which bear interest at an annual rate of 6% paid semi-annually, and common share purchase warrants equal to the same number of common shares forming part of the unit.

During the year ended December 31, 2011, 3,500,000 shares were issued in connection with the acquisition of GHIS Capital as part of the termination of the AHP arrangement, as more fully described in Note 20 to the annual consolidated financial statements. These shares are restricted from trading for a period of one year.

For the year ended December 31, 2011, option holders exercised 712,500 options to purchase an equivalent number of shares at a weighted average exercise price per share of $0.39. As at December 31, 2011, there were a total of 11,355,500 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $1.32, expiring at various dates through 2016. The number of exercisable options at December 31, 2011, was 2,295,834 with a weighted average exercise price of $0.68.

As at December 31, 2011, there were 23,281,200 warrants outstanding. Of this amount, 21,500,000 warrants are held by related parties entitling the holders to acquire 20,500,000 common shares at an exercise price of $0.33 per share and 1,000,000 shares at $1.00 per share. The warrants expire on May 28, 2014 and November 9, 2013, respectively. During the year ended December 31, 2011, 538,200 warrants were issued in conjunction with the private placement with an exercise price of $1.27 and which expire on March 3, 2013 and 1,283,000 warrants were issued in conjunction with the public offering with an exercise price of $1.66 and which expire on December 8, 2016. During the year ended December 31, 2011, 40,000 warrants issued in connection with the private placement were exercised for proceeds of $75.

The Company issued 11,440,375 shares as consideration in acquisitions in 2011. The Company issued 11,240,375 shares as consideration in the acquisition of Classic Care and 200,000 shares as consideration in the acquisition of DNP. These shares were not subject to any restrictions.

As at the date of this report, April 1, 2012, the number of shares outstanding, including restricted and escrowed shares, is 182,152,586; the number of options outstanding is 11,318,000; and, the number of warrants outstanding is 23,744,363. Included in the shares outstanding are 69,220,854 shares held in escrow, or in trust, and are not freely tradable.

(in thousands of dollars, except share amounts)

Summary of Quarterly Results

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal year 2011[2]				
Revenue and other income	$ 77,265	$ 67,096	$ 33,596	$ 23,035
Adjusted EBITDA	$ 6,271	$ 9,698	$ 3,219	$ 2,197
Adjusted EBITDA per share				
Basic	$ 0.069	$ 0.117	$ 0.031	$ 0.028
Diluted	$ 0.057	$ 0.092	$ 0.026	$ 0.023
Net (loss) income	$ (67,484)[3]	$ 52,625[4]	$ 12,955[5]	$ (7,073)[6]
(Loss) income per share				
Basic	$ (0.744)	$ 0.633	$ 0.161	$ (0.092)
Diluted	$ (0.744)	$ 0.501	$ 0.126	$ (0.092)
Fiscal year 2010 (IFRS)				
Revenue and other income	$ 17,025	$ 15,755	$ 15,927	$ 13,740
Adjusted EBITDA	$ 1,506	$ 2,198	$ 2,443	$ 1,847
Adjusted EBITDA per share				
Basic	$ 0.025	$ 0.036	$ 0.040	$ 0.030
Diluted	$ 0.021	$ 0.031	$ 0.035	$ 0.025
Net (loss) income	$ (592)[7]	$ 951	$ 1,037	$ 865
(Loss) income per share				
Basic	$ (0.010)	$ 0.016	$ 0.017	$ 0.014
Diluted	$ (0.010)	$ 0.013	$ 0.015	$ 0.012
Fiscal year 2009 (Canadian GAAP)				
Revenue and other income	$ 12,896	$ 12,431	$ 7,027	$ 4,269
Adjusted EBITDA	$ 285	$ 1,671	$ 894	$ 612
Adjusted EBITDA per share				
Basic	$ 0.006	$ 0.027	$ 0.019	$ 0.017
Net (loss) income	$ (105)	$ 888	$ 518	$ 339
(Loss) income per share				
Basic	$ (0.002)	$ 0.015	$ 0.011	$ 0.009
Diluted	$ (0.002)	$ 0.013	$ 0.011	$ 0.009

2 The quarterly results of 2011 are the first quarters reporting under IFRS. The quarterly results presented for 2010 have been adjusted for the impact of IFRS transition on our earnings. Comparative figures for 2009 were prepared in accordance with previous Canadian GAAP and are not required to be restated in accordance with IFRS.

3 The net income for the quarter ended December 31, 2011 includes a non-cash charge of $2,562 representing the increase in fair value of the contingent consideration liability, non-cash impairment charges of $52,801 and $3,627 of transaction and restructuring costs related to business acquisitions.

4 The net income for the quarter ended September 30, 2011 includes a non-cash gain of $53,110 representing the decrease in fair value of the contingent consideration liability and $873 of transaction and restructuring costs related to business acquisitions.

5 The net income for the quarter ended June 30, 2011 includes a non-cash gain of $15,984 representing the decrease in fair value of the contingent consideration liability and $2,734 of transaction and restructuring costs related to business acquisitions.

6 The net income for the quarter ended March 31, 2011 includes $6,454 as a charge to net income representing the increase in fair value of the contingent consideration liability and $947 of transaction and restructuring costs related to business acquisitions.

7 The net income for the quarter ended December 31, 2010 includes $266 as a charge to net income representing a change in fair value of the contingent consideration liability and $808 of transaction and restructuring costs related to business acquisitions.

The Company has realized five consecutive quarters of increased revenue which is illustrative of the overall growth in the business both organically and through acquisitions. The Company's strategy to improve top line growth through relationship development as well as through strategic acquisitions in segments where the business identifies opportunities for market growth and innovative offerings has resulted in revenues increasing by over 354% from the prior year. The Company has identified that the speed of implementation and integration of acquisitions into the culture and support structure of the Company is a critical success factor, and is focusing on these efforts.

The volatility in net income quarter to quarter in 2011 compared to previous quarters is largely due to the requirements related to acquisitions imposed by the transition to IFRS. Under IFRS, transaction costs are expensed as incurred. Transaction fees incurred are directly related to the size of acquisition targets. Transaction costs have increased proportionally with the size of the acquisitions completed, leading to increased charges against earnings in recent quarters. For the year ended December 31, 2010, upon transition to IFRS, $1,141 in acquisition-related transaction costs were expensed. Under previous Canadian GAAP, these costs were allocated to the cost of assets acquired or recorded as deferred charges on our Canadian GAAP balance sheet. Transaction costs totaled $8,181 in 2011 and by quarter for the year were $947, $2,734, $873 and $3,627 from the first quarter to the fourth quarter, respectively. These transaction costs are reflective of the Company's significant acquisition activities during 2011.

The Company is required to value the contingent consideration liabilities pursuant to its business combination activities. Throughout 2011, the Company's common share price fluctuated significantly, affecting the basis on which the contingent consideration liabilities are valued at the end of each reporting period. As part of the Company's acquisition strategy, partial consideration for acquired businesses is paid in shares and or warrants of the Company. Management's valuation method to determine the value of the contingent consideration is largely based on the value of common shares, less a discount to account for the shares not being traded in active market until they are released from escrow and the probability of the acquired business achieving stated performance targets, warrants accrue to the vendors subject to outperformance of earnings targets. The valuation of contingent consideration on the date the acquisition closes becomes part of the total consideration in the purchase equation. Subsequently, the contingent consideration is revalued on each financial statement date with changes in fair value flowing through the statement of income. The change in fair value of contingent consideration for fiscal 2011 fluctuated from an increase of $6,454 for the three months ended March 31, 2011 to decreases of $15,984 and $53,110 for the three months ended June 30, 2011, September 30, 2011, respectively, and an increase of $2,562 for the three months ended December 31, 2011. This non-cash change in fair value was primarily the result of the effect on the LifeMark contingent consideration liability of the decrease in the Company's share price from $2.90 per share on June 9, 2011 (the date of the acquisition of LifeMark) to $1.59 per share on December 31, 2011. In addition, in the fourth quarter, the Company reduced the probability of LifeMark achieving its target EBITDA to 50% to 70%. Every $1 million change in actual EBITDA for LifeMark results in a change of approximately 6 million common shares that could be earned and issued from escrow. A maximum of 48,750,000 common shares can be issued to the vendors of LifeMark from the earn-out terms in the acquisition agreement.

The Company's Adjusted EBITDA decreased by $3,427 from the third quarter to fourth quarter of 2011. This decrease can mainly be attributed to costs the Company incurred in right-sizing its operations. It is expected that the Company will realize benefits from these efforts in 2012.

Quarterly results in the comparative 2009 period are not restated to show IFRS impact on previously reported numbers. Results in the third and fourth quarters of 2009 show the impact of the acquisition of Active Health on the overall results of the Company. In the fourth quarter of 2009, the Company recorded a one-time restructuring charge of $600 related to the acquisition and integration of the Active Health business which impacted significantly on the Company's overall quarterly performance. The third quarter of 2009 includes the results of Active Health incorporated for the full three months as compared to the second quarter which includes only one month of results contributing to the overall performance of the Company.

(in thousands of dollars, except share amounts)

Fourth Quarter Results

		Three months ended December 31, 2011		Three months ended December 31, 2010
Revenue	$	77,265	$	17,025
(Loss) income from operations		(5,997)		1,316
Impairments		52,801		-
Loss before interest expense and income taxes		(62,728)		52
Interest expense		4,756		373
Income tax (recovery) expense		(3,539)		270
Net income (loss)	$	(67,484)[8]	$	(592)[9]
Net income(loss) per share				
Basic	$	(0.744)	$	(0.010)
Diluted	$	(0.744)	$	(0.010)

Revenue for the three months ended December 31, 2011 increased by $60,240 from $17,025 in the prior year to $77,265 in the current year. The increase in revenue on a period over period basis can mainly be attributed to the acquisitions the Company has completed in the current year, in addition to organic growth.

Income from operations decreased from income of $1,316 in the prior year to a loss of $5,997 in the current year. This can mainly be attributed to the Company's amortization from intangible assets which was approximately $10,000 higher than the same period in the prior year. This increased amortization is directly a result of an increase in the Company's identifiable intangible assets arising from the Company's 2011 acquisitions.

In the fourth quarter of 2011 the loss before interest expense and income taxes was $62,728 as compared to income of $52 for the same period in the prior year. This loss can mainly be attributed to the impairment charges of $52,801 that were recorded during the quarter and an increase in transaction costs of $2,819 on a period over period basis. Moreover, the Company incurred additional severance costs during the fourth quarter of 2011 associated with the right-sizing of certain operations.

Interest expense increased by $4,383 on a period over period basis. The Company's borrowing rates have remained relatively consistent on a year over year basis. The increase can be mainly attributed to the Company's increased borrowings compared to the fourth quarter of 2010. The Company entered into a new banking agreement in June 2011 in order to finance certain acquisitions.

Income taxes have decreased by $3,809 to a recovery position from the period ended December 31, 2010 to the period ended December 31, 2011. This decrease can mainly be attributed to the Company applying capital cost allowances and eligible capital expenditures to reduce their taxable income.

[8] The net income for the quarter ended December 31, 2011 includes a non-cash charge of $2,562 representing the increase in fair value of the contingent consideration liability, non-cash impairment charge of $52,801 and $3,627 of transaction costs related to business acquisitions.
[9] The net income for the quarter ended December 31, 2010 includes $266 as a charge to net income representing a change in fair value of the contingent consideration liability and $808 of transaction costs related to business acquisitions.

(in thousands of dollars, except share amounts)

Contractual Commitments

During the year ended December 31, 2011, the Company assumed finance lease obligations related to its acquisition of SSI and BWC and operating leases related to all of its current year acquisitions. The Company also entered into new borrowing arrangements during 2011 as discussed in the Liquidity and Capital Resources section.

The Company's contractual commitments at December 31, 2011, are as follows:

	Total	1 year	2-3 years	4-5 years	Thereafter
Term loan	$ 155,000	$ 12,500	$ 29,000	$ 113,500	$ -
Revolving facility	26,888	-	-	26,888	-
Related party debt	5,000	-	5,000	-	-
Operating leases	58,703	17,773	23,766	9,127	8,037
Preferred partnership units	65,500	-	-	-	65,500
Interest payments on borrowings	27,789	7,746	15,100	4,943	-
Finance leases	2,347	2,068	279	-	-
Total	$ 341,227	$ 40,087	$ 73,145	$ 154,458	$ 73,537

The Term Loan and Revolving Facility has been presented above in accordance with the repayment schedules with its lenders.

In addition, the Company has a contractual obligation to pay Alaris annual distributions of $6,750 which increase at a rate of 4% each year. The principal amount grows at 4% annually from the third anniversary. Redemption of the preferred partnership units cannot occur until after June 9, 2013, and no determination has been made as to when the preferred partnership units will be redeemed. There is no obligation for the Company to redeem these units.

The Company incurs interest on its revolving facility. Future interest to be paid on the revolving facility cannot be reasonably determined due to the ongoing fluctuation of the revolving facility balance.

The Company incurs monthly interest payments on its interest swaps. These interest rate swaps are tied to market conditions and as such interest to be paid from the interest rate swap cannot be reasonably determined.

Off-Balance Sheet Arrangements

As at December 31, 2011, the Company has no off-balance sheet arrangements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

The Chief Executive Officer and the Chief Financial Officer (collectively the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings*, for the Company.

The Certifying Officers have concluded that, as at December 31, 2011, The Company's DC&P has been designed effectively to provide reasonable assurance that (a) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted, recorded, processed, summarized and reported within the time periods specified in the securities legislation. They have also concluded that the Company's ICFR have been designed effectively to provide reasonable assurance regarding the reliability of the preparation and presentation of the financial statements for external purposes and were effective as at December 31, 2011. The Company acquired SSI, LifeMark, DNP, BWC, Classic Care and Performance Medical Group during 2011 and management has excluded these entities from its assessment of the effectiveness of ICFR as at December 31, 2011. These acquired companies represent 66% of the Company's revenue for the year ended December 31, 2011.

It should be noted that while the Company's Certifying Officers believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls will prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes in line with International Financial Reporting Standards. Management is responsible for establishing and maintaining adequate internal controls over financial reporting appropriate to the nature and size of the Company. However, any system of internal control over financial reporting has inherent limitations and can only provide reasonable assurance with respect to financial statement preparation and presentation.

The Company used the COSO control framework to evaluate DC&P and ICFR. With the exception of the changes resulting from the acquisitions of SSI , LifeMark, DNP, BWC, Classic Care and Performance Medical Group there were no material changes to the Company's internal controls over financial reporting that occurred for the year ended December 31, 2011 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

(in thousands of dollars, except share amounts)

Transactions with Related Parties

Related party transactions, in addition to those with Company directors and management, have been entered into with Global Healthcare Investments and Solutions, Inc. ("GHIS") and entities controlled by the shareholders of GHIS who own 35,598,976 shares or approximately 21% of the issued and outstanding common shares of the Company, inclusive of escrowed and restricted shares at December 31, 2011. Jamon Investments LLC ("Jamon") is an entity affiliated to Dr. Jack Shevel, the Chairman of the Company. Dr. Shevel is also the President of GHIS.

A summary of the transactions with related parties for the years ended December 31, 2011 and 2010, is as follows:

	Year ended December 31, $	
	2011	2010
GHIS fees		
Completion fees*	**2,090**	137
Financing fees*	**2,800**	-
Advisory fees	**720**	240
Market capitalization fee	**404**	429
Total fees earned by GHIS in the period	**6,014**	806
GHIS travel and related expenses	**128**	68
Interest incurred on Jamon loans	**500**	92
Total transactions with related parties	**6,642**	966

* Completion fees of $1,400 and financing fees of $2,800 is only due and payable to GHIS when it meets the conditions set out in the Credit Agreement between Centric and its lenders.

During the year ended December 31, 2011, the Company incurred expenses payable to GHIS for its strategic advisory services pursuant to a consulting agreement with the Company. The GHIS consulting agreement, prior to amendment, provided that it receives fees based on up to 1.5% for completing financing, mergers and acquisitions, $20 per month as an advisory fee and 1% of the Company's weighted average market capitalization on an annual basis provided that the Company's market capitalization exceeds $20,000 in the period. Completion fees of $1,400 were incurred with respect to the LifeMark acquisition.

During the year ended December 31, 2011, GHIS and the Company negotiated an amended consulting agreement which eliminated the 1% market capitalization, $20 monthly consulting fees and GHIS reduced the market capitalization fee to 0.5% for the period from January 1, 2011 through June 30, 2011. The revised simplified fee structure has a fixed annual fee of $1,200, to be paid monthly, and completion fees based on 0.5% of the enterprise value for completion of financing, mergers and acquisitions, subject to approval by the Board of Directors. This new agreement was effective July 1, 2011 and has a term of four years.

In addition to the completion fees above, GHIS earned an additional $161 related to the private placement financing which is netted from the equity instruments issued in that transaction, and in the year ended December 31, 2011, an additional $2,800 related to the new financing arrangements, which, with the LifeMark advisory completion fee, is only due and payable when it meets the conditions set out in the Credit Agreement between Centric and its lenders. This amount is netted from the bank loan in borrowings and will be amortized over the term of the loan using the effective interest method. Included in trade and other payables at December 31, 2011 and 2010 are $4,785 and $237, respectively, due to GHIS; and $226 and $92, respectively for interest payable to Jamon.

GHIS has provided a letter of support to the Company indicating that it will exercise any options or warrants that it holds in the Company or provide alternative funding of similar value, if required, during 2012 in order to assist the Company in managing its liquidity risk.

(in thousands of dollars, except share amounts)

Related party loans

During the year ended December 31, 2010, the Company entered into the following loan agreements with Jamon and received proceeds totaling $10,000. The loans were granted pursuant to two promissory notes. One bears interest at 6% with a conversion feature of one share per one dollar of principal amount and is due November 9, 2013, and the other bears interest at 7% with no conversion feature and was due November 9, 2011. In addition to the promissory notes, Jamon was issued a warrant to purchase one million common shares of the Company at an exercise price of $1 each. The warrant expires on November 9, 2013. The fair values of the loans, conversion feature and warrant were recorded as follows:

	December 31, 2011
	$
Related party loans:	
Related party convertible loan at 6%	**3,880**
Equity portion of related party convertible loan	**1,444**
Related party loan at 7%	**4,387**
Warrant	**289**
Total consideration at inception	**10,000**
Repayment of 7% loan	**(5,000)**
Balance, December 31, 2011	**5,000**

Concurrent to the closing of LifeMark on June 9, 2011, the Company repaid the unsecured related party loan at 7%, in full, to Jamon with accrued interest of $66. Accelerated accretion of $321 of non-cash interest was recorded in interest expense for the year ended December 31, 2011.

Other

GHIS Capital was the holder of a convertible debenture issued by the Company in 2007. Concurrent with the closing of the acquisition of the Active Health Management business, the Company redeemed the convertible debenture at its face amount of $750 and also agreed to issue to GHIS Capital a warrant, expiring on May 29, 2012, entitling it to subscribe for and purchase 25% of the issued and outstanding common shares, as calculated immediately following the exercise, of Alegro Health Partners Inc. (AHP), a wholly-owned subsidiary of the Company, upon the payment of $33.

On July 31, 2011, following a process involving an independent committee of the Board of Directors of the Company, the Company acquired all of the shares of GHIS Capital. The process included a fairness opinion from a leading professional services firm, to assist in supporting the value of the AHP warrant owned by GHIS Capital. GHIS Capital's sole asset was the AHP warrant. Pursuant to the contractual arrangements between GHIS Capital and the Company, AHP was a wholly-owned subsidiary that was formed to be the entity through which all new business opportunities, distinct from the Company's current operations, would be conducted. The warrant enabled GHIS Capital to acquire a 25% interest in AHP for $33. As consideration for such acquisition, the Company issued 3,500,000 common shares to the shareholders of GHIS Capital. Upon completion of the acquisition of GHIS Capital on July 31, 2011, the existing security holder agreement between the Company and GHIS Capital was terminated.

As a consequence of the acquisition of GHIS Capital and the termination of the security holder agreement, GHIS Capital's entitlement to a 25% participation in the Company's expansion into new health care sectors has been eliminated thus simplifying the Company's corporate structure and aligning the interests of all shareholders. The transaction has been accounted for at the fair value of the 3,500,000 common shares issued with this acquisition being treated as a capital transaction.

In addition to the amended consulting agreement, the independent sub-committee determined that compensation for Dr. Jack Shevel's role as Executive Chairman of the Company will be determined on a market-related basis, as approved by the Compensation Committee and Board of Directors from time to time. The committee determined that market-rate compensation will be $200 annually.

During the year, GHIS waived its fees related to the public offering from the base shelf prospectus. In addition, directors of the Company from GHIS do not receive any director's fees.

Proposed Transactions

As of April 1, 2012, there are no proposed transactions to report other than those listed under Subsequent Events.

Critical Accounting Estimates

The preparation of financial statements requires the Company to estimate the effect of various matters that are inherently uncertain as of the date of the financial statements. Each of these required estimates varies in regard to the level of judgment involved and its potential impact on the Company's reported financial results. Estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimate are reasonably likely to occur from period to period, and would materially impact the Company's financial condition, changes in financial condition or results of operations.

Significant critical accounting estimates include the assessment of impairment of goodwill and intangible assets and the recognition of contingent consideration.

Collectability of receivables

The Company assesses the collectability of receivables on an ongoing basis. A provision for the impairment of receivables involves significant management judgment and includes the review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts.

Goodwill and Intangible Assets Valuation

The Company performs an impairment assessment of goodwill and indefinite life intangible assets on an annual basis and at any other time if events or circumstances make it possible that impairment may have occurred. Determining whether impairment of goodwill has occurred requires a valuation of the respective business unit, based on its fair value, which is based on a number of factors, including discounted cash flows, future business plans, economic projections and market data.

An indefinite-life intangible asset is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the indefinite-life intangible asset with its carrying amount. When the carrying amount of the indefinite-life intangible asset exceeds its fair value, an impairment loss should be recognized in an amount equal to the excess.

Management tests the valuation of goodwill and indefinite life intangibles as at December 31 of each year to determine whether or not any impairment in the goodwill and intangible balances recorded exists. In addition, on a quarterly basis, management assesses the reasonableness of assumptions used for the valuation to determine if further impairment testing is required. Management has determined, using the above-noted valuation methods, that there was no impairment to the indefinite life intangible assets as at December 31, 2011 and 2010 other than the impairment of its hospital license recognized on transition to IFRS. The Company recognized impairments at December 31, 2011 of a definite life intangible asset related to its acquired prescription files and an impairment of its goodwill related to the LifeMark acquisition.

Recognition of Contingent Consideration

The Company recognizes the fair value of contingent consideration relating to its business acquisitions at the date the transaction closes and at each subsequent reporting date. The purchase price of most acquisitions is subject to the financial performance of the businesses being acquired. The number of shares, either issued in escrow and subsequently released to the vendor, or to be issued at a later date varies based on the business being acquired achieving predetermined earnings targets over a specified period.

In addition, warrants are issued when these performance targets are exceeded generally based on an accrual of warrants to the extent of such excess. The exercise price of the warrants is based on the Company's share price at the date of closing. As a result of this variability, the fair value of the contingent consideration is recorded as a financial liability irrespective of the fact that this liability will be settled on a non-cash basis through the issuance of shares and warrants.

Subsequent changes in fair value between reporting periods are included in the determination of net income. Changes in fair value arise as a result of changes in the Company's share price which is discounted to reflect that the shares are not freely tradable until they are released from escrow and changes in the estimated probability of achieving the earnings targets. Shares issued or released from escrow in final settlement of contingent consideration are recognized at their fair value at the time of issue with a corresponding reduction in the contingent consideration liability.

Accounting Changes

Information regarding our changes in accounting policies is included in Note 3 to the unaudited interim consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In March 2009, the Accounting Standards Board of Canada confirmed that effective January 1, 2011, IFRS would replace GAAP for publicly accountable enterprises such as Centric Health Corporation. For the period ended March 31, 2011, the Company issued its first set of consolidated financial statements under IFRS.

A summary of the key areas where changes in accounting policies have impacted our consolidated financial statements is presented below. This summary should not be regarded as a complete list of the changes that have resulted from the transition to IFRS. Rather, it is intended to highlight those areas management believe to be the most significant to our stakeholders.

Adjustments required on transition to IFRS have been made retrospectively against opening retained earnings as of the transition date of January 1, 2010.

The key areas that impact previously reported net earnings are: stock-based compensation, change in fair value of contingent consideration, and transaction costs incurred on business combinations. Information regarding the individual changes is included in Notes 3 and 5 to the consolidated financial statements for the years ended December 31, 2011 and 2010.

Stock-based compensation increased by $268 for the year ended December 31, 2010 decreasing the net income reported for those comparative periods. There is no change to previously reported EBITDA for this IFRS adjustment. Stock-based compensation under IFRS differs from previous GAAP as it requires graded vesting of options as well as inclusion of a forfeiture rate in the valuation of all options granted. The inclusion of the forfeiture rate will generally reduce the total fair value to be expensed over the vesting period related to an option grant and the requirement to use graded vesting will generally result in the recognition of the fair value of the total compensation expense on an accelerated basis as compared to straight-line vesting.

The acquisition of CAR, completed in 2010, included contingent consideration in the form of shares and warrants to purchase common shares of the Company. Under Canadian GAAP, contingent consideration was not recorded unless it was beyond a reasonable doubt that the payment would be made. Under IFRS, the Company is required to estimate the probability that contingent consideration will be earned and recognize the fair value of the contingent consideration as part of the consideration transferred for the acquired company. Contingent consideration is generally classified as a liability or equity in the consolidated statement of financial position. Equity classified contingent consideration is not re-measured subsequent to initial recognition whereas liability classified contingent consideration is re-measured at each reporting date with changes in fair value recognized in the statement of net income and comprehensive income. At December 31, 2010, the fair value of the contingent consideration on the acquisition of CAR had increased in value by $312, negatively impacting the net earnings for the year then ended.

On an ongoing basis, the Company is actively engaged in pursuing acquisition targets and to that end, incurs significant costs related to its acquisition strategy. Under previous Canadian GAAP, these costs were deferred on the statement of financial position until the acquisition was completed and included in the purchase price equation. Under IFRS, transaction costs related to acquisitions are expensed as incurred. For the year ended December 31, 2010, transaction costs totaled $1,141. In the Company's opinion, this change negatively impacts net earnings as well as EBITDA as previously reported. Adjusted EBITDA as defined earlier in this MD&A normalizes for this change in accounting policy.

The impact on net income for the year ended December 31, 2010 as a result of these significant changes to accounting policies is outlined in the following table:

Impact on net income:	Year ended December 31, 2010 $
Stock-based compensation	268
Transaction costs	1,141
Change in fair value of contingent consideration	312
Decrease to net income	1,721

Risks and Uncertainties

The business of Centric Health is subject to a number of risks and uncertainties. Prior to making any investment decision regarding the Company, investors should carefully consider, among other things the risks described herein (including the section on caution regarding forward looking statements).

Competition

The markets for Centric's products and services are intensely competitive, subject to rapid change and significantly affected by market activities of other industry participants.

Other than relationships the Company has built up with insurance companies, healthcare providers and patients, there is little to prevent the entrance of those wishing to provide similar services to those provided by Centric and its subsidiaries. The businesses operating in the physiotherapy and assessments segment also compete for the provision of consulting services from independent healthcare professionals. Competitors with greater capital and/or experience may enter the market or compete for referrals from insurance companies and the services of available health care professionals. There can be no assurance that Centric will be able to compete effectively for these referrals and healthcare professionals, that additional competitors will not enter the market, that such competition will not make it more difficult or expensive to provide disability management services or that competitive pressures in the provision of these services in a geographic region will not otherwise adversely affect Centric.

Government Regulation and Funding

The Company operates businesses in an environment in which insurance regulation, policy and tariff decisions play a key role. Changes in regulation and tariff structures related to third party disability management services, or their interpretation and application, could adversely affect the business, financial condition and results of operation of the Company.

Insurance legislation changes enacted on September 1, 2010, affected the business as the assessments segment operates within the regulatory jurisdiction of these legislative changes. Auto insurance guidelines for accident benefit claims have changed and fees for independent medical assessments and rehabilitative treatments are now capped. This change may negatively affect the future financial results of this segment. To mitigate any negative impact, the assessment segment has expended resources to diversify offerings and expand its customer base to best capture the optimal sales mix in the marketplace.

Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements and, as a result, the Company's businesses operate in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses' control. Any change in governmental regulation and licensing requirements relating to healthcare services, or their interpretation and application, could adversely affect the business, financial condition and results of operations of these business units.

Credit Risk and Economic Dependence

The Company is exposed to credit risk to the extent that its clients become unable to meet their payment obligations. The Company's exposure to concentrations of credit risk is limited. Accounts receivable and accrued receivables are from the Workplace Safety and Insurance Board, government agencies, employers and insurance companies.

The Company derived approximately 22% of its revenues for the year ended December 31, 2011 (2010 – 49%) from billings through its government billing privilege and as such is subject to concentration risk associated with its reliance on such billings.

Acquisitions and Integration

The Company hopes to make acquisitions of various sizes that fit particular niches within Centric's overall corporate strategy of developing a portfolio of integrated healthcare businesses. There is no assurance that it will be able to acquire businesses on satisfactory terms or at all. These acquisitions will involve the commitment of capital and other resources, and these acquisitions could have a major financial impact in the year of acquisition and beyond. The speed and effectiveness with which Centric integrates these acquired companies into its existing businesses may have a significant short-term impact on Centric's ability to achieve its growth and profitability targets.

The successful integration and management of acquired businesses involves numerous risks that could adversely affect Centric's growth and profitability, including that:

(a) Management may not be able to manage successfully the acquired operations and the integration may place significant demands on management, thereby diverting its attention from existing operations;

(b) Operational, financial and management systems may be incompatible with or inadequate to integrate into Centric's systems and management may not be able to utilize acquired systems effectively;

(c) Acquisitions may require substantial financial resources that could otherwise be used in the development of other aspects of the business;

(d) Acquisitions may result in liabilities and contingencies which could be significant to the Company's operations; and

(e) Personnel from Centric's acquisitions and its existing businesses may not be integrated as efficiently or at the rate foreseen.

The acquisition of healthcare-related companies or assets involves a long cost recovery cycle. The sales processes for the products that these companies offer are often subject to lengthy customer approval processes that are typically accompanied by significant capital expenditures. Failures by the Company in achieving signed contracts after the investment of significant time and effort in the sales process could have an adverse impact on the Company`s operating results.

Referrals

The success of Centric's assessments segment is currently dependent upon insurance company referrals of patients for assessment and rehabilitation procedures and treatments. These referrals come through preferred provider and other service agreements established through competitive tendering processes. If a sufficiently large number of service agreements were discontinued, the business, financial condition and results of operations of Centric could be adversely affected.

In addition, in the Surgical and Medical Centres segment, the patient referrals are dependent on the surgical practitioners affiliated thereto. Surgical practitioners have no contractual obligation or economic incentive to refer patients to the surgical centres. Should surgical practitioners discontinue referring patients or performing operations at the surgical centres, the business, financial condition and results of operations of Centric could be adversely affected.

Shortage of Healthcare Professionals

As the Company expands its operations, it may encounter difficulty in securing the necessary professional medical and support staff to support its expanding operations. There is currently a shortage of certain medical specialty physicians and nurses in Canada and this may affect Centric's ability to hire physicians, nurses and other healthcare practitioners in adequate numbers to support its growth plans, which may adversely affect the business, financial condition and results of operations.

Exposure to Epidemic or Pandemic Outbreak

As Centric's businesses are focused on healthcare, its employees and/or facilities could be affected by an epidemic or pandemic outbreak, either within a facility or within the communities in which Centric operates. Despite appropriate steps being taken to mitigate such risks, there can be no assurance that existing policies and procedures will ensure that Centric's operations would not be adversely affected.

Confidentiality of Personal and Health Information

Centric and its subsidiaries' employees have access, in the course of their duties, to personal information of clients of the Company and specifically their medical histories. There can be no assurance that the Company's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients. If a client's privacy is violated, or if Centric is found to have violated any law or regulation, it could be liable for damages or for criminal fines or penalties.

Information Technology Systems

Centric's businesses depend, in part, on the continued and uninterrupted performance of its information technology systems. Sustained system failures or interruptions could disrupt the Company's ability to operate effectively, which in turn could adversely affect its business, results of operations and financial condition.

The Company's computer systems may be vulnerable to damage from a variety of sources, including physical or electronic break-ins, computer viruses and similar disruptive problems. Despite precautions taken, unanticipated problems affecting the information technology systems could cause interruptions for which Centric's insurance policies may not provide adequate compensation.

Key Personnel

The Company believes that its future success will depend significantly upon its ability to attract, motivate and retain highly skilled executive management. In addition, the success of each business unit depends on employing or contracting, as the case may be, qualified healthcare professionals. Currently, there is a shortage of such qualified personnel in Canada. The loss of healthcare professionals or the inability to recruit these individuals in markets that the Company operates in could adversely affect the Company's ability to operate its business efficiently and profitably.

Litigation and Insurance

In recent years, liability insurance coverage has become considerably more expensive and the availability of coverage has been reduced in certain cases. There is no assurance that the existing coverage will continue to be sufficient or that, in the future, policies will be available at adequate levels of insurance or at acceptable costs. Centric maintains professional malpractice liability insurance, directors' and officers' and general liability insurance in amounts it believes are sufficient to cover potential claims arising out of its operations. Some claims, however, could exceed the scope of its coverage or the coverage of particular claims could be denied.

Due to the nature of the services provided by the Company, general liability and error and omissions claims may be asserted against the Company with respect to disability management services and malpractice claims may be asserted against Centric, or any of its subsidiaries, with respect to healthcare services. Although the Company carries insurance in amounts that management believes to be standard in Canada for the operation of healthcare facilities, there can be no assurance that the Company will have coverage of sufficient scope to satisfy any particular liability claim. The Company believes that it will be able to obtain adequate insurance coverage in the future at acceptable costs, but there can be no assurance that it will be able to do so or that it will not incur significant liabilities in excess of policy limits. Any such claims that exceed the scope of coverage or applicable policy limits, or an inability to obtain adequate coverage, could have a material adverse effect on the Company's business, financial condition and results of operations.

Internal Control over Financial Reporting and Disclosure Controls and Procedures

The Company may face risks if there are deficiencies in its internal control over financial reporting and disclosure controls and procedures. The Board, in conjunction with its Audit Committee, is responsible for assessing the progress and sufficiency of internal controls over financial reporting and disclosure controls and procedures and will make adjustments as necessary. However, these initiatives may not be effective at remedying any deficiencies in internal control over financial reporting and disclosure controls and procedures. Any deficiencies, if uncorrected, could result in the Company's financial statements being inaccurate and in future adjustments or restatements of its financial statements, which could adversely affect the price of the shares and Centric's business, financial condition and results of operations.

Capital Investment

The timing and amount of capital expenditures by the Company will be dependent upon the Company's ability to utilize credit facilities, raise new debt, generate cash from operations, meet working capital requirements and sell additional shares in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to the Company for necessary or desirable capital expenditures or that the amount required will be the same as currently estimated. Lack of these funds could limit the future growth of the Company and its subsidiaries and their respective cash flows.

Dilution

The Company's by-laws authorize the Company, in certain circumstances, to issue an unlimited number of shares for the consideration and on those terms and conditions as are established by the Board without the approval of the Shareholders. Any further issuance of shares may dilute the interests of existing shareholders.

Uncertainty of Liquidity and Capital Requirements

The future capital requirements of the Company will depend on many factors, including the number and size of acquisitions consummated, rate of growth of its client base, the costs of expanding into new markets, the growth of the market for healthcare services and the costs of administration. In order to meet such capital requirements, the Company may consider additional public or private financing (including the incurrence of debt and the issuance of additional common shares) to fund all or a part of a particular venture, which could entail dilution of current investors' interest in the Company. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.

The current borrowings of the Company are secured by its lender by a general security agreement over substantially all of the assets of the Company. Should the Company not meet its covenants or obligations under these borrowing agreements when due, there is the risk that its lender may realize on its security and liquidate the assets of the Company.

Unpredictability and Volatility of Share Price

Market prices for securities of healthcare services companies may be volatile. Factors such as announcements of new contracts, innovations, new commercial and medical products, patents, the development of proprietary rights by the Company or others, regulatory actions, publications, quarterly financial results of the Company or of competitors of the Company, public concerns over health, future sales of securities by the Company or by current shareholders and other factors could have a significant effect on the market price and volatility of the common shares of the Company.

The securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Company's shares.

Significant Shareholders

There are significant shareholders of the Company that may be long-term holders of the common shares in the Company. As such, the trading volumes in the common shares of the Company and liquidity may be low. In addition, relatively low liquidity may adversely affect the price at which the common shares of the Company trade on the listed market.

Litigation

During the first quarter of 2010, the former CEO of the Company commenced a claim seeking compensation for termination of her employment and additional compensation amounts. The Company settled this action in the year ended December 31, 2011.

Subsequent Events

On February 13, 2012, the Company announced it had acquired Motion Specialties Inc. ("Motion Specialties"). Motion Specialties has 24 locations across Canada and is a leading home health care provider offering a wide range of mobility devices, including: wheelchairs, scooters, walkers, bathroom safety equipment, portable oxygen, Continuous Positive Airway Pressure ("CPAP") machines, and home accessibility products such as stair lifts and home elevators. The consideration for the acquisition of Motion Specialties included cash and contingent consideration in the form of common shares and share purchase warrants which are subject to Motion Specialties achieving certain performance targets. The total consideration paid for Motion Specialties is based on a three year performance based formula, comprised of up to $30 million in cash and the issuance of up to 12,500,000 common shares of the Company, a portion of which will be released subject to the acquired business achieving certain performance targets. The Company will also issue warrants to the vendors to purchase up to 7,500,000 common shares of the Company based on achieving certain performance targets. The warrants will have a two year term from the date on which they vest and become exercisable.

On February 22, 2012, the Company completed its second and final closing of its first prospectus supplement to its securities offering from the base shelf prospectus filed on October 21, 2011. The Company raised $13,610 in gross proceeds from the both the first and second closings which were focused largely at staff and healthcare professionals by way of a directed share program.

Effective April 30, 2012, Mr Daniel Carriere will step down as President and Chief Executive Officer of the Company to pursue other interests. Upon Mr. Carriere's departure, Dr. Jack Shevel, Executive Chairman of the Company, will assume the role of interim President and Chief Executive Officer until a replacement has been appointed. Mr. Carriere will remain as a Non-Executive Director of the Company.

Additional Information

Additional information about the Company, including the Annual Information Form, can be found on the SEDAR website at www.sedar.com.

Centric Health

Your Care. Our Focus.

Consolidated Financial Statements
For the Years Ended December 31, 2011 and 2010

(in thousands of Canadian dollars)

Dated: April 1, 2012

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Centric Health Corporation for the years ended December 31, 2011 and 2010 were prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"), as set out in Part I of the Handbook of The Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company is reporting on this basis in these consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting policies and processes that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 4 to the consolidated financial statements.

Management has established a system of internal control over the financial reporting process, which is designed to provide reasonable assurance that relevant and reliable information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee which is comprised of independent non-executive directors assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditor's report. The Audit Committee also reviews other annual filings to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

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

"Daniel Carriere"
Chief Executive Officer

"Peter Walkey"
Chief Financial Officer

April 1, 2012

April 1, 2012

Independent Auditor's Report

To the Shareholders of Centric Health Corporation

We have audited the accompanying consolidated financial statements of Centric Health Corporation and its subsidiaries, which comprise the consolidated statements of financial positions as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

PricewaterhouseCoopers LLP, Chartered Accountants
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Centric Health Corporation and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Centric Health Corporation
Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

	December 31, 2011 $	December 31, 2010 (note 5) $	January 1, 2010 (note 5) $
Assets			
Current assets			
Cash and cash equivalents	**407**	9,210	1,196
Trade and other receivables (note 21)	**40,495**	12,008	8,432
Prepaid expenses and deposit	**2,244**	1,444	161
Loans receivable (note 7)	**-**	1,714	-
Inventories (note 8)	**5,257**	230	-
	48,403	24,606	9,789
Non-current assets			
Property and equipment (note 11)	**21,214**	1,449	952
Goodwill and intangible assets (note 12)	**361,485**	28,305	20,469
Deferred income tax assets (note 16)	**4,408**	547	-
Loans receivable (note 7)	**973**	-	-
Investments in franchisees (note 7)	**208**	-	-
Total assets	**436,691**	54,907	31,210
Liabilities			
Current liabilities			
Trade and other payables (notes 18 and 19)	**44,760**	8,177	5,700
Current portion of borrowings (note 13)	**175,911**	4,434	2,200
Current portion of finance lease liabilities (note 15)	**2,068**	-	-
Current portion of contingent consideration (note 10)	**63,009**	789	-
Income taxes payable (note 16)	**1,801**	1,032	90
	287,549	14,432	7,990
Non-current liabilities			
Borrowings (note 13)	**8,841**	18,435	7,068
LifeMark preferred partnership units (note 14)	**65,500**	-	-
Contingent consideration (note 10)	**5,840**	-	-
Finance lease liabilities (note 15)	**279**	-	-
Deferred income tax liabilities (note 16)	**4,894**	1,294	284
Deferred lease inducement	**358**	69	92
Derivative financial instruments (note 21)	**1,812**	-	121
Total liabilities	**375,073**	34,230	15,555
Equity			
Share capital (note 20)	**62,122**	9,240	8,921
Warrants	**4,329**	3,246	2,957
Contributed surplus	**4,259**	1,839	1,191
Equity portion of convertible borrowings	**2,738**	1,444	-
Accumulated other comprehensive loss	**(73)**	(61)	(121)
(Deficit) retained earnings	**(12,238)**	4,969	2,707
Equity attributable to shareholders of Centric Health Corporation	**61,137**	20,677	15,655
Non-controlling interests	**481**	-	-
Total equity	**61,618**	20,677	15,655
Total liabilities and equity	**436,691**	54,907	31,210

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

Approved by the Board

"Dr. Jack Shevel"
Dr. Jack Shevel, Director

"Robert Wardell"
Robert Wardell, Director

Centric Health Corporation
Consolidated Statements of Income
(in thousands of Canadian dollars, except per share amounts)

	For the year ended December 31, 2011 $	2010 (note 5) $
Revenue	**200,992**	62,482
Cost of healthcare services and supplies	**112,836**	39,229
Employee costs (note 19)	**32,340**	7,572
Other operating expenses	**23,147**	3,334
Corporate office expenses	**11,284**	4,354
Depreciation and amortization	**14,573**	551
Income from operations	**6,812**	7,442
Stock-based compensation	**3,163**	761
Interest expense (note 17)	**12,245**	1,038
Change in fair value of interest rate swaps (note 13)	**1,396**	-
Transaction and restructuring costs (note 9)	**8,181**	1,141
Impairments (notes 7 and 12)	**52,801**	-
(Decrease) increase in fair value of contingent consideration liability (note 10)	**(60,078)**	312
(Loss) income before income taxes	**(10,896)**	4,190
Income tax (recovery) expense (note 16)	**(1,918)**	1,928
Net (loss) income	**(8,978)**	2,262
Net (loss) income attributable to:		
Shareholders of Centric Health Corporation	**(8,982)**	**2,262**
Non-controlling interests	**4**	**-**
Basic (loss) earnings per common share	**($ 0.11)**	$ 0.04
Diluted (loss) earnings per common share	**($ 0.11)**	$ 0.03
Weighted average number of common shares outstanding (in thousands) (note 20)		
Basic	**80,656**	61,176
Diluted	**102,491**	72,696

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

Centric Health Corporation
Consolidated Statements of Comprehensive Income
(in thousands of Canadian dollars)

	For the year ended December 31,	
	2011 **$**	2010 (note 5) $
Net (loss) income	**(8,978)**	2,262
Amortization of deferred loss on interest rate swap	**61**	-
Change in fair value of interest rate swaps designated as hedges (note 13)	**(73)**	**-**
Comprehensive (loss) income	**(8,990)**	2,262
Comprehensive (loss) income attributable to:		
Shareholders of Centric Health Corporation	**(8,994)**	2,262
Non-controlling interests	**4**	-

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

Centric Health Corporation
Consolidated Statements of Equity
(in thousands of Canadian dollars, except number of shares)

	Number of shares	Amount $	Warrants $	Contributed surplus $	AOCI* $	Equity portion of convertible borrowings $	(Deficit) Retained earnings $	Equity attributable to the shareholders of Centric Health Corporation $	Non-controlling interest $	Total $
Balance at January 1, 2010	**61,015,095**	**8,921**	**2,957**	**1,191**	**(121)**	**-**	**2,707**	**15,655**	**-**	**15,655**
Options exercised	975,000	319	-	(113)	-	-	-	206	-	206
Issued as deferred compensation	100,000	-	-	-	-	-	-	-	-	-
Deferred compensation expensed in the period	-	-	-	761	-	-	-	761	-	761
Amortization of deferred loss on interest rate swap	-	-	-	-	60	-	-	60	-	60
Issuance of warrants	-	-	289	-	-	-	-	289	-	289
Equity portion of convertible borrowings	-	-	-	-	-	1,444	-	1,444	-	1,444
Net income for the year	-	-	-	-	-	-	2,262	2,262	-	2,262
Balance at December 31, 2010	**62,090,095**	**9,240**	**3,246**	**1,839**	**(61)**	**1,444**	**4,969**	**20,677**	**-**	**20,677**
Balance at January 1, 2011	**62,090,095**	**9,240**	**3,246**	**1,839**	**(61)**	**1,444**	**4,969**	**20,677**	**-**	**20,677**
Options exercised	712,500	484	-	(203)	-	-	-	281	-	281
Public offering	1,283,000	1,419	786	-	-	1,294	-	3,499	-	3,499
Warrants exercised	40,000	75	(24)	-	-	-	-	51	-	51
Shares issued on acquisition	12,154,659	22,047	-	-	-	-	-	22,047	-	22,047
Private placement	17,940,000	20,092	321	-	-	-	-	20,413	-	20,413
Issuance of shares on acquisition of GHIS Capital (note 19 and 20)	3,500,000	8,225	-	-	-	-	-	8,225	-	8,225
AHP warrants cancellation (note 19)	-	-	-	-	-	-	(8,225)	(8,225)	-	(8,225)
Change in fair value of interest rate swaps	-	-	-	-	(73)	-	-	(73)	-	(73)
Amortization of deferred loss on interest rate swap	-	-	-	-	61	-	-	61	-	61
Deferred compensation expensed in the year	500,000	540	-	2,623	-	-	-	3,163	-	3,163
Non-controlling interest from acquisition	-	-	-	-	-	-	-	-	477	477
Net (loss) income for the year	-	-	-	-	-	-	(8,982)	(8,982)	4	(8,978)
Balance at December 31, 2011	**98,220,254[1]**	**62,122**	**4,329**	**4,259**	**(73)**	**2,738**	**(12,238)**	**61,137**	**481**	**61,618**

*AOCI – Accumulated other comprehensive income (loss)
[1] Excludes 71,341,896 shares in escrow and 600,000 restricted shares (note 20).

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

Centric Health Corporation
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)

	For the year ended December 31, **2011** **$**	2010 $
Cash provided by (used in):		
Operating activities		
Net (loss) income for the year	**(8,978)**	2,262
Adjustments for:		
Interest expense	**12,245**	1,038
Change in fair value of interest rate swaps	**1,396**	-
Amortization of deferred loss on interest rate swap	**61**	-
Depreciation of property and equipment	**3,103**	266
Amortization of finite-life intangible assets	**11,470**	285
Leasehold inducement	**(25)**	(23)
Income taxes paid	**(2,051)**	(682)
Income tax (recovery) expense	**(1,918)**	1,928
Stock-based compensation expense	**3,163**	761
Impairments	**52,801**	-
(Decrease) increase in contingent consideration liability	**(60,078)**	312
Net change in non-cash working capital items (note 25)	**(3,591)**	(834)
Cash provided by operating activities	**7,598**	5,313
Investing activities		
Loan advances	**(359)**	(1,714)
Deposit (note 9)	**1,266**	(1,266)
Purchase of intangible assets	**(292)**	(292)
Purchase of property and equipment	**(4,139)**	(515)
Proceeds on disposition of property and equipment	**-**	7
Acquisition of businesses (note 9)	**(138,097)**	(8,020)
Increase in loans receivable from franchisees	**545**	-
Cash used in investing activities	**(141,076)**	(11,800)
Financing activities		
Interest paid	**(8,818)**	(664)
Repayment of borrowings	**(75,965)**	(11,778)
Proceeds of long-term loan and revolver, net of loan arrangement costs	**180,975**	16,737
Proceeds from issuance of related party loan	**-**	10,000
Repayment of finance leases	**(1,375)**	-
Issuance of common shares and warrants and convertible debt, net of issuance costs	**29,858**	206
Cash provided by financing activities	**124,675**	14,501
(Decrease) increase in cash and cash equivalents	**(8,803)**	8,014
Cash and cash equivalents, beginning of year	**9,210**	1,196
Cash and cash equivalents, end of year	**407**	9,210

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

1. General

Centric Health Corporation and its subsidiaries (collectively, “Centric Health”, or, “the Company”) are incorporated under the *Canada Business Corporations Act*. The Company is listed on the Toronto Stock Exchange and is incorporated and domiciled in Canada. The Company’s principal business is providing healthcare services to its patients and customers in Canada. The address of the Company’s registered office is 20 Eglinton Avenue West, Suite 2100, Toronto, Ontario.

2. Liquidity Risk

In addition to the cash flow generated by operations, the Company relies on debt and equity financing from both arm’s length and related parties to execute on its stated business strategy. The Company forecasts cash flows for its current and subsequent fiscal years to project future financial requirements. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in note 6.

The Company is subject to certain financial covenants under its Term Loan and Revolving Facility. The Company did not meet certain of its financial performance covenants at December 31, 2011. As required under IFRS, the Company has presented its net Term Loan balance of $149,023 and Revolving Facility balance of $26,888 as current liabilities. The Company’s repayment schedule has not been amended as a result of not meeting certain financial performance covenants. The Company has obtained a waiver with regards to not meeting certain financial performance covenants from its lenders subsequent to year end.

The Company anticipates that, based on meeting its approved 2012 operating budget, excluding covenant matters addressed above, it will generate sufficient cash flow from operations in 2012 to meets its obligations as they come due. However, based on the existing levels of cash flow and debt and the need to fund new acquisitions or significant additional capital expenditures, the Company may need to consider additional sources of capital including raising additional equity, based on suitable market conditions, which will better balance the Company’s debt to equity ratio. Without additional equity contributions or refinancing, the Company may not meet certain financial performance covenants in 2012 under its Term Loan and Revolving Facility. Once the first quarter of 2012 has been completed, the Company will be in a better position to assess the extent of 2012 covenant compliance and consider and arrange alternatives including negotiating revisions to the lending agreement to change covenants to levels consistent with expected performance. In addition, the Company is exploring various equity alternatives including through private placements or through a public offering from the base shelf prospectus completed in October 2011. There can be no certainty that the Company will be able to negotiate revised covenants with its lenders.

The Company’s ability to meet its obligations is dependent on generating operating cash inflows and securing requisite long-term financing which may include covenant revisions. The Company is considering various alternatives to ensure continued compliance with its lending agreements. It is not possible to determine with certainty the success or adequacy of these initiatives.

3. Basis of Preparation and Adoption of IFRS

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"), as set out in Part I of the Handbook of The Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company is reporting on this basis in these consolidated financial statements. In these annual consolidated financial statements, the term Canadian GAAP refers to Canadian GAAP before the adoption of IFRS.

Statement of Compliance: These annual consolidated financial statements have been prepared in accordance with IFRS as set out by the IASB. This is the first time the Company has prepared its annual consolidated financial statements in accordance with IFRS and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* has been applied. Previously, the Company's annual financial statements were prepared in accordance with Canadian GAAP as set out in Part V of the CICA Handbook. Subject to certain transition elections disclosed in note 5 of these annual consolidated financial statements, the Company has consistently applied the same accounting policies in its opening IFRS consolidated statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's annual consolidated financial statements for the year ended December 31, 2010, prepared in accordance with Canadian GAAP.

The policies applied in these annual consolidated financial statements are based on IFRS effective for the year ended December 31, 2011. These financial statements were approved by the Board of Directors on April 1, 2012.

4. Significant Accounting Policies

The significant accounting policies used in the preparation of these annual consolidated financial statements are described below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of measurement

These annual consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of derivative financial instruments and contingent consideration to fair value.

Consolidation

These annual consolidated financial statements incorporate the assets and liabilities of Centric Health and its wholly-owned subsidiaries and the results of these subsidiaries for the years then ended. The Company also consolidates the financial results of London Scoping Centre ("LSC") and Performance Medical Group ("Performance") which the Company controls with an ownership of 75% of the outstanding shares of each of these entities.

During the years ended December 31, 2011 and 2010, the Company completed seven and three acquisitions, respectively, which are included in the annual consolidated financial statements (note 9).

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealized gains/losses on transactions between group companies are eliminated.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

Intercompany transactions, balances, income and expenses on transactions between the Company's subsidiaries are eliminated. Profit and losses resulting from intercompany transactions that are recognized in assets are also eliminated.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

4. Significant Accounting Policies - continued

Segmented reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer.

Foreign currency translation

Balances included in the annual consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional and presentation currency is the Canadian dollar, which is also the functional currency of each of the Company's subsidiaries.

Financial assets and financial liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from these assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the requirements to provide cash flows from these liabilities have expired or have been transferred and the Company no longer has an obligation to settle with a counterparty.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instrument was acquired:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents, trade and other receivables, and loans receivable, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less the provisions for impairment losses.

Financial liabilities at fair value through profit or loss
Financial instruments at fair value through profit or loss are financial liabilities held for trading. Derivative financial instruments are categorized as held for trading unless they are designated as hedges. The Company's financial liabilities at fair value through profit or loss include the derivative financial instrument for contingent consideration liabilities and interest rate swaps for which hedge accounting has not been applied. Liabilities in this category are classified as current liabilities if expected to be settled within twelve months; otherwise, they are classified as non-current liabilities.

4. Significant Accounting Policies - continued

Financial liabilities at amortized cost
Financial liabilities at amortized cost include trade and other payables, finance lease liabilities, borrowings and LifeMark Partnership Units. Trade and other payables are initially recorded at the amount required to be paid. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Borrowings, finance lease liability and other liabilities are initially recognized at fair value, net of any transaction costs incurred, and, subsequently, at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months; otherwise, they are presented as non-current liabilities.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the consolidated statement of income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment is recognized in the consolidated statement of income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks.

Trade and other receivables

Trade and other receivables are amounts due for goods and services sold in the ordinary course of business. If collection is expected in twelve months or less, trade and other receivables are classified as current assets. If not, trade and other receivables are presented as non-current assets. Trade and other receivables are initially recognized at fair value and, subsequently, are measured at amortized cost using the effective interest method, less a provision for impairment.

Trade and other receivables also include accrued receivables which are amounts for services rendered and not yet invoiced or billed to customers. Accrued receivables are included in trade and other receivables and are initially recognized at fair value and, subsequently, are measured at amortized cost using the effective interest method, less a provision for impairment.

A provision for impairment involves significant management judgment and includes the review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts.

4. Significant Accounting Policies - continued

Inventories

Inventories consist of materials used in the provision of healthcare services, home medical equipment and pharmaceutical inventory and are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. A provision for impairment involves significant management judgment and includes the review of inventory aging and an assessment of recoverability.

Investments in franchisees

Investments in franchisees are recorded on the equity basis of accounting as the Company exercises significant influence over the franchisees.

Derivative financial instruments

Derivative financial instruments designated as a hedge
The Company holds derivative financial instruments to hedge its interest rate risk exposure. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment both at inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting changes in the cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedge are within a range of 80-125 percent. Where hedge accounting has been applied, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented as unrealized gain or loss on cash flow hedges in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flow affects profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

Other derivative financial instruments
When a derivative financial instrument is not designated as a qualified hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

Property and equipment

Owned assets
Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be reliably measured. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of income during the period in which they are incurred.

4. Significant Accounting Policies - continued

The major categories of property and equipment are depreciated as follows:

Office furniture, fixtures and equipment	10 to 15 years straight-line
Computer equipment	30% to 50% declining balance
Medical equipment	5 years straight-line
Physiotherapy equipment	30% declining balance
Leasehold improvements	remaining term of the lease

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and separately depreciates each part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted, if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of income from operations in the consolidated statement of income.

Leased assets
Assets under finance leases, to which substantially all of the risks and benefits inherent in ownership are transferred, are recognized as part of property and equipment. These assets are initially measured at fair value or, if lower, at the present value of the minimum lease payments. A corresponding liability is established and each lease payment is allocated between the liability and interest expense using the effective interest method. The assets recognized are depreciated on the same basis as equivalent property and equipment.

Leases that are not finance leases are classified as operating leases and the assets are not recognized on the consolidated statement of financial position. Operating lease payments are recognized as an expense on a straight-line basis over the term of the lease.

Intangible assets

Finite Life Intangible Assets
The Company’s finite life intangible assets include licences, computer software, contracts, franchise rights, customer and physician relationships, trademarks and non-competition arrangements with a finite useful life. These assets are capitalized and amortized on a straight-line basis in the consolidated statement of income as follows:

Licences	Term of the licence
Computer software	7 years
Contracts	Term of the contract
Customer and physician relationships	5 to 10 years
Trademarks	Up to 10 years
Non-compete arrangements	Term of the arrangement
Franchise Rights	20 years

4. Significant Accounting Policies - continued

The Company incurs costs associated with the design of new technology related to the software used in the operations of the Company's business. Expenditures during the development phase are capitalized if certain criteria, including technical feasibility and intent and ability to develop and use the technology, are met; otherwise, they are expensed as incurred.

Goodwill
Goodwill represents the excess of the consideration transferred over the fair value of the net tangible and intangible assets acquired at the date of acquisition of a business. The Company assesses at least annually, or whenever an indicator of impairment exists, whether there has been an impairment loss in the carrying amount of goodwill, which is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units (CGUs), or group of CGUs, that are expected to benefit from the business combination for the purpose of impairment testing. A group of CGUs represents the lowest level within the Company that is not higher than an operating segment at which goodwill is monitored for internal management purposes. The methodology used by the Company to test goodwill for impairment is further discussed in note 12.

Indefinite-life intangible assets
The Company has indefinite-life intangible assets in relation to its hospital licence, government billing privilege, sleep clinic licence and the Community Care Access Centre ("CCAC") contract. The Company tests indefinite-life intangible assets for impairment annually. The hospital license allows the Don Mills Surgical Unit ("DMSU") to privately operate a hospital in the province of Ontario. Government billing privileges are assets that facilitate the billing of provincially insured physiotherapy services to the government. These billing privileges were acquired as part of the Company's previous acquisition of Active Health Management and the acquisition of LifeMark Health Limited Partnership ("LifeMark"). The CCAC contract was acquired in the purchase of Community Advantage Rehabilitation Inc. ("CAR"). The CCAC refers patients to CAR for occupational therapy, dietetics and social work services. The CCAC contract has a stated term that is renewed by the CCAC. The Company considers the probability of renewal of the contract with CCAC to be high.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Other long-term tangible and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognized in the consolidated statement of income. The recoverable amount of an asset is the higher of its fair value, less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows.

Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

4. Significant Accounting Policies - continued

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Borrowings

Borrowings are initially recognized at fair value, net of any transaction costs. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for more than twelve months. After initial recognition, borrowings are carried at amortized cost with any difference between the proceeds (net of transaction costs) and the redemption value recognized in the consolidated statement of income over the period of the borrowing using the effective interest method.

Convertible borrowings
Convertible borrowings held by the Company are borrowings that can be converted to common shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of the convertible borrowings is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the convertible borrowings as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of the convertible borrowings is measured at amortized cost using the effective interest method. The equity component of a convertible financial instrument is not remeasured subsequent to initial recognition, except on conversion or expiry.

Recognition of contingent consideration

The Company recognizes the fair value of contingent consideration relating to its business acquisitions at the date the transaction closes and revalues the contingent consideration at each subsequent reporting date and upon settlement. The purchase price of most acquisitions is subject to the financial performance of the businesses being acquired. The number of shares are either issued in escrow and subsequently released to the vendor, or will be issued at a later date, and varies based on the business being acquired achieving predetermined earnings targets over a specified period.

In addition, warrants may be issued when these performance targets are exceeded. The exercise price of the warrants is based on the Company’s share price at the date of closing of the transaction. As a result of this variability, the fair value of the contingent consideration is recorded as a financial liability irrespective of the fact that this liability will be settled on a non-cash basis through the issuance of shares and warrants.

4. Significant Accounting Policies - continued

Subsequent changes in fair value between reporting periods are included in the determination of net income. Changes in fair value arise as a result of changes in the Company's share price and changes in the estimated probability of the acquired entities achieving their earnings targets. Shares issued or released from escrow in the final settlement of contingent consideration are recognized in share capital at their fair value at the time of issue or release with a corresponding reduction in the contingent consideration liability.

The current portion of contingent consideration is based on the Company's estimate of the value that will be payable within twelve months.

Employee benefits

Termination benefits
The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing benefits as a result of an offer made to encourage voluntary termination. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

Income taxes

Income tax expense for the year comprises current and deferred income taxes. Income taxes are recognized in the consolidated statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the income taxes are also recognized directly in comprehensive income or equity.

Current income taxes
Current income tax expense is based on the results of the year, as adjusted for items that are not taxable or not deductible. Current income taxes are calculated using tax rates and laws that were substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to the taxation authorities.

Deferred income taxes
Deferred income taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income taxes are determined on a non-discounted basis using income tax rates and laws that have been enacted or substantively enacted at the date of the consolidated statement of financial position and are expected to apply when the deferred income tax asset or liability is settled. Deferred income tax assets are recognized to the extent it is probable that the assets can be recovered.

Deferred income taxes are provided on temporary differences arising on investments in subsidiaries and associates except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

4. Significant Accounting Policies - continued

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis. Deferred income tax assets and liabilities are presented as non-current assets or liabilities.

Revenue

Revenue for independent medical assessments is recognized when services have been completed, the price is fixed or determinable and collection is reasonably assured. Accrued receivables represent an accrual for revenue recognized on completed and unbilled assessments. The estimated costs incurred relating to the completed assessments are included in trade and other payables. Other services, such as work conditioning treatments and case management services, are billed when these services are rendered, the price is fixed or determinable and collection is reasonably assured.

Revenue for physiotherapy and home care services to patients under government insurance plans is recognized when the service is completed, the price is fixed or determinable and collection is reasonably assured. This is generally at the time of submission of the completed services to the government insurance plan.

Revenue from patient services is recorded when the services are performed. Patient services paid in advance are recorded as deferred revenue and recognized as revenue when the procedure has been performed.

Revenue from member clinics referred through the Company is recognized when the service has been provided.

Revenue for physiotherapy and rehabilitation services performed for insurance providers or other private clients is recognized when services are rendered and collectability is reasonably assured.

Royalty revenue is recognized on a monthly basis as the relevant royalty sales are reported by franchisees.

Revenue for Home Medical Equipment corporate stores and orthotics is recognized when the products or services are delivered to customers and title has passed or when the service is rendered.

Government funding from the Ontario Ministry of Health and Long-Term Care (“MOHLTC”) is recognized as revenue when receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Amounts are deemed receivable based on the terms of the funding agreement with the MOHLTC.

Pharmacy sales revenue is recorded when the prescription claim has been adjudicated, the prescription or retail purchase has been delivered to the customer, the price is fixed or determinable and payment is received or reasonably assured to be collectible.

4. Significant Accounting Policies - continued

Cost of healthcare services and supplies

Cost of healthcare services and supplies includes the cost of medical and healthcare practitioner consultant services provided, supplies used in rendering healthcare services, and the cost of medical equipment and pharmaceutical products sold. These costs exclude any corporate or administrative costs incurred by the Company.

Share-based payments

The Company operates an equity-settled, share-based payment compensation plan, under which the Company receives services from employees as consideration for equity instruments of the Company. The plan is also open to certain directors and employees of the Company. Share options vest over three to four years and expire after five years. The fair value of services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting date, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions.

The fair value of share options is estimated using the Black-Scholes option pricing model. This model requires the input of a number of assumptions, including expected dividend yield, expected share price volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on conditions outside of the Company's control. Changes in these assumptions could significantly impact the valuation of the share-based payment expense.

The contributed surplus within shareholders' equity is reduced as the share options are exercised. If the share options are exercised, the amount initially recorded for the share options in contributed surplus is credited to common shares, along with the proceeds received on the exercise. If the share options expire unexercised or are forfeited, the amount initially recorded for the share options remains in contributed surplus.

Share capital and warrants

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. Warrants are classified as equity and are initially measured at fair value. The fair value of the warrants is not remeasured and the warrants are transferred to common shares when they are exercised based on the terms of each individual agreement. If warrants expire unexercised, the amount initially recorded is transferred to contributed surplus.

4. Significant Accounting Policies - continued

(Loss) earnings per share

Basic (loss) earnings per share ("EPS") is calculated by dividing the net (loss) income for the year attributable to equity owners of the Company by the weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company's potentially dilutive instruments comprise share options granted to employees, unvested restricted share units, convertible debt and warrants.

Accounting standards issued but not yet adopted

IFRS Standard 9, *Financial Instruments* ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, *Financial Instruments – Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories, amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss would generally be recorded in other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted.

IFRS Standard 10, *Consolidated Financial Statements* ("IFRS 10") will replace portions of *IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-1 Consolidation – Special Purpose Entities.* IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statement. The standard provides additional guidance to assist in determining control where this is difficult to assess.

IFRS Standard 12, *Disclosure of Involvement with Other Entities* ("IFRS 12") includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

IFRS Standard 13 *Fair Value Measurement and Disclosure* ("IFRS 13") is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards.

IAS 1 *Presentation of items of other comprehensive Income* ("IAS 1") has been amended to change the disclosure of items presented in other comprehensive income ("OCI"), including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit and loss in the future.

IAS 19 *Employee Benefits* is amended to reflect (i) significant changes to recognition and measurement of defined benefit pension expense and termination benefits, and (ii) expanded disclosure requirements.

4. Significant Accounting Policies - continued

IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28") – As a consequence of the issue of IFRS 10, IFRS 11, IFRS 12 and IFRS 13, IAS 28 has been amended and will provide the accounting guidance for investments and associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

These amendments are effective for annual periods beginning on or after January 1, 2013. The Company will adopt these standards (and amended standards) when they become effective. The Company has currently not assessed the impact of adopting these standards.

Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning its financial future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Collectability of receivables
The Company assesses the collectability of receivables on an ongoing basis. A provision for the impairment of receivables involves significant management judgment and includes the review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts.

Impairment testing of goodwill and indefinite-life intangible assets
The Company tests annually whether goodwill or indefinite-life intangible assets have suffered any impairment, in accordance with the requirements of IAS 36 *Impairment of Assets*. The recoverable amounts of CGU's have been determined based on their fair value less cost to sell. These calculations require the use of estimates.

Recognition of contingent consideration
In certain acquisitions, the Company may include contingent consideration which is subject to the acquired company achieving certain performance targets. At each reporting the period, the Company estimates the future earnings of acquired companies which are subject to contingent consideration in order to assess the probability that the acquired company will achieve their performance targets and thus earn their contingent consideration. Any changes in the fair value of the contingent consideration between reporting periods are included in the determination of net income. Changes in fair value arise as a result of changes in the Company's share price and changes in the estimated probability of the target achieving their earnings targets.

5. Transition to IFRS

The effect of the Company's transition to IFRS, is summarized as follows:

A. Transition exceptions and exemptions

The Company has applied the following transition exceptions in accordance with IFRS 1 requirements:

Business combinations - In accordance with IFRS transitional provisions, the Company elected to apply the IFRS requirements relating to business combinations prospectively from January 1, 2010. As such, Canadian GAAP balances relating to business combinations entered into before January 1, 2010, including goodwill, have been carried forward without adjustment.

Share-based payments - In accordance with the IFRS transitional provisions, the Company elected not to apply IFRS 2, *Share-based Payments*, to share options that were still outstanding at January 1, 2010 but have fully vested.

Hedge accounting - The Company held an interest rate swap at the transition date as a hedge of cash flow risk related to the Company's variable rate borrowings. Under Canadian GAAP, the interest rate swap was accounted for as a cash flow hedge. Changes in the fair value were recognized in other comprehensive income as long as the hedge continued to be considered effective. The method of assessing hedge effectiveness used under Canadian GAAP did not qualify these instruments for hedge accounting under IFRS and the Company discontinued hedge accounting prospectively on transition to IFRS. As a result, changes in the fair value of the interest rate swap occurring after January 1, 2010 under IFRS are recognized directly in interest expense. This increased interest expense by $7 for the year ended December 31, 2010. In accordance with IFRS transition requirements, gains and losses on the interest rate swap arising prior to January 1, 2010 continue to be recognized in accumulated other comprehensive income and are subsequently recognized through profit or loss by the way of amortization over the remaining life of the associated debt facility or until the related debt instrument is extinguished.

(in thousands of Canadian dollars)

5. Transition to IFRS - continued

B. Effect of transition adjustments on the consolidated statements of financial position

i. Consolidated statement of financial position

		As at December 31, 2010			As at January 1, 2010		
	Ref.	Canadian GAAP $	Adjust-ments $	IFRS $	Canadian GAAP $	Adjust-ments $	IFRS $
Assets							
Current assets							
Cash and cash equivalents		9,210	-	9,210	1,196	-	1,196
Trade and other receivables		12,008	-	12,008	8,432	-	8,432
Loan receivable		1,714	-	1,714	-	-	-
Prepaid expenses and deposit	C	1,474	(30)	1,444	161	-	161
Inventories		230	-	230	-	-	-
		24,636	(30)	24,606	9,789	-	9,789
Non-current assets							
Property and equipment		1,449	-	1,449	952	-	952
Goodwill and intangible assets	A,B,E	28,600	(295)	28,305	20,840	(371)	20,469
Deferred income tax assets		547	-	547			
Deferred acquisition costs	B	859	(859)	-	64	(64)	-
Total assets		56,091	(1,184)	54,907	31,645	(435)	31,210
Liabilities							
Current liabilities							
Trade and other payables	C	8,251	(74)	8,177	5,967	(267)	5,700
Current portion of borrowings		4,434	-	4,434	2,200	-	2,200
Current portion of contingent consideration	E	-	789	789	-	-	-
Income taxes payable		1,032	-	1,032	90	-	90
Deferred income tax liability	D	-	-	-	19	(19)	-
		13,717	715	14,432	8,276	(286)	7,990
Non-current liabilities							
Borrowings		18,435	-	18,435	7,068	-	7,068
Deferred income tax liability	D	1,294	-	1,294	265	19	284
Deferred lease inducement		69	-	69	92	-	92
Derivative financial instrument		-	-	-	121	-	121
Total liabilities		33,515	715	34,230	15,822	(267)	15,555
Shareholders' Equity							
Share capital		9,240	-	9,240	8,921	-	8,921
Warrants		3,246	-	3,246	2,957	-	2,957
Contributed surplus	F	1,546	293	1,839	1,166	25	1,191
Equity portion of convertible borrowings		1,444	-	1,444	-	-	-
Accumulated other comprehensive loss	G	(128)	67	(61)	(121)	-	(121)
Retained earnings	H	7,228	(2,259)	4,969	2,900	(193)	2,707
Total shareholders' equity		22,576	(1,899)	20,677	15,823	(168)	15,655
Total liabilities and shareholders' equity		56,091	(1,184)	54,907	31,645	(435)	31,210

(in thousands of Canadian dollars)

5. Transition to IFRS – continued

ii. Consolidated statement of income and comprehensive income

	Ref.	For the year ended December 31, 2010 Canadian GAAP $	Adjustments $	IFRS $
Revenue		62,482	-	62,482
Cost of healthcare services and supplies		39,229	-	39,229
Employee costs	C	7,349	223	7,572
Other operating expenses		3,334	-	3,334
Corporate office administration		4,354	-	4,354
Depreciation and amortization	B	496	55	551
Profit from operations		7,720	278	7,442
Stock-based compensation	F	493	268	761
Interest expense	G	971	67	1,038
Transaction costs	B	-	1,141	1,141
Change in fair value of contingent consideration	E	-	312	312
Income before income taxes		**6,256**	**(2,066)**	**4,190**
Income tax expense		1,928	-	1,928
Net income attributable to shareholders for the year		**4,328**	**(2,066)**	**2,262**
Other comprehensive income				
Unrealized (loss) / gain on derivative financial instrument	G	(7)	7	-
Comprehensive income attributable to common shareholders for the year		**4,321**	**(2,059)**	**2,262**

5. Transition to IFRS – continued

C. Explanatory notes

A. **Impairment of intangible assets -** An impairment loss of $371 relating to the Company's hospital licence was recognized in DMSU at January 1, 2010 following the completion of the IFRS impairment test at January 1, 2010. This impairment was not recognized under Canadian GAAP. Under IFRS, the recoverable amount used in recognizing and measuring impairment is the higher of the asset's (or CGU's) fair value less costs to sell and its value-in-use. Under Canadian GAAP, the carrying amount of the indefinite life intangible asset is compared to its fair value, which is determined using varying assumptions.

B. **Business combinations -** In accordance with the IFRS transitional provisions, the Company elected to apply IFRS relating to business combinations prospectively from January 1, 2010. Acquisitions that were completed between January 1, 2010 and December 31, 2010 have been restated to comply with IFRS 3, *Business Combinations*, which resulted in the Company expensing transaction costs incurred for acquisitions immediately where previously, under Canadian GAAP, they were included as part of the cost of the acquisition. The adjustments decreased deferred acquisition costs by $64 at January 1, 2010, with a corresponding adjustment to retained earnings. During the year ended December 31, 2010, deferred acquisition costs of $859 were expensed in the annual consolidated statement of income and comprehensive income. The charge to earnings in the year ended December 31, 2010, $1,141, is comprised of the transaction costs related to the business combinations completed in the year of $346, and recognition of the deferred acquisition costs of $859 as expenses in the period incurred, less the amount of deferred charges expensed on transition to IFRS of $64.

The adjustment to intangible assets of $568 for the year ended December 31, 2010 is comprised of the adjustment in A of $371 plus the transaction costs of $197, that were capitalized to the intangible assets of business combinations completed during 2010.

C. **Provisions -** Under IFRS, provisions, if any, are required to be disclosed on the face of the consolidated statement of financial position with a more detailed breakdown included in the notes. Under Canadian GAAP, contingencies were included within trade and other payables.

Under Canadian GAAP, management had recorded restructuring accruals related to an acquisition in 2009. These accruals did not meet the requirements of a provision under IFRS and are reversed from the current liabilities and retained earnings on transition to IFRS. During the year ended December 31, 2010, $223 was charged to income related to the transition to IFRS.

D. **Classification of deferred income taxes -** Under IFRS, it is not appropriate to classify deferred income tax balances as current, irrespective of the classification of the financial assets or financial liabilities to which the deferred income taxes relate or the expected timing of reversal. Under Canadian GAAP, deferred income taxes relating to current assets or current liabilities must be classified as current. Accordingly, current deferred income tax amounts reported under Canadian GAAP of $19 at January 1, 2010 ($nil at December 31, 2010) have been reclassified to non-current liabilities under IFRS.

5. Transition to IFRS - continued

E. **Recognition of contingent consideration -** On September 1, 2010, the Company acquired CAR. Pursuant to the purchase agreement, additional consideration, in the form of shares, may be payable based on the achievement of certain predetermined earnings. Under IFRS, this contingent consideration has been classified as a financial liability because it does not meet the fixed-for-fixed criterion in IAS 32, *Financial Instruments: Presentation*, to be classified within equity and is measured at fair value and re-measured at each reporting date. Under Canadian GAAP, no liability was recognized for this obligation. This resulted in the recognition of a financial liability of $477 at September 1, 2010 with a corresponding adjustment to goodwill (note 10). Subsequently, the change in fair value of the contingent consideration resulted in recognition of an expense of $312 on the statement of income and comprehensive income for the year ended December 31, 2010.

F. **Share-based payments -** Under IFRS, the Company recognizes the cost of employee share options over the vesting period using the graded method of amortization rather than the straight-line method, which was the Company's policy under Canadian GAAP. This increased contributed surplus and reduced retained earnings at the date of transition by $25 on transition, and increased contributed surplus and share-based payment expense by $293 for the year ended December 31, 2010.

G. **Hedge accounting -** The Company held an interest rate swap at the transition date as a hedge of cash flow risk related to the Company's variable rate borrowings. Under Canadian GAAP, the interest rate swap was accounted for as a cash flow hedge. Changes in the fair value were initially recognized in other comprehensive income. The method of assessing hedge effectiveness used under Canadian GAAP did not qualify these instruments for hedge accounting under IFRS and the Company discontinued hedge accounting prospectively on transition to IFRS. As a result, changes in the fair value of the interest rate swap occurring after January 1, 2010 under IFRS are recognized directly in interest expense. This increased interest expense by $7 for the year ended December 31, 2010. In accordance with IFRS transition requirements, gains and losses on the interest rate swap arising prior to January 1, 2010 continue to be recognized in accumulated other comprehensive income and are amortized over the remaining life of the borrowings. For the year ended December 31. 2010, $60 in amortization expense has been recognized through profit or loss.

(in thousands of Canadian dollars)

5. Transition to IFRS - continued

H. **Retained earnings -** The following is a summary of transition adjustments to the Company's retained earnings from Canadian GAAP to IFRS:

	Ref.	**December 31, 2010 $**	**January 1, 2010 $**
Retained earnings - as reported under Canadian GAAP		7,228	2,900
IFRS adjustments:			
Impairment of intangible assets	A	(371)	(371)
Business combinations – transaction costs	B	(346)	-
Business combinations – deferred charges	B	(859)	(64)
Amortization of intangibles	B	(55)	-
Provisions	C	267	267
Recognition of severance costs	C	(223)	-
Recognition of contingent consideration change in fair value	E	(314)	-
Share-based payment expense	F	(293)	(25)
Change in fair value of derivative instrument	G	(7)	-
Amortization of the loss	G	(60)	-
Retained earnings - as reported under IFRS		**4,969**	**2,707**

D. **Adjustments to annual consolidated statement of cash flows**

	Year ended December 31, 2010		
	Canadian GAAP $	**Adjustments $**	**IFRS $**
Cash provided by operating activities	5,945	(632)	5,313
Cash (used in) / provided by investing activities	(13,096)	1,296	(11,800)
Cash provided by / (used in) financing activities	15,165	(664)	14,501
Net decrease in cash	8,014	-	8,014
Cash, beginning of the year	1,196	-	1,196
Cash, end of the year	9,210	-	9,210

(in thousands of Canadian dollars)

6. Capital Management

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support the continuation and expansion of its operations. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include share capital and the stock option component of its shareholders' equity as well as its term and revolving credit facilities, LifeMark preferred partnership units and contingent consideration. In order to maintain or adjust its capital structure, the Company may seek additional financing through the issuance of new equity securities, or the issuance of debt instruments.

The Company believes that the cash generated by the existing business will be sufficient in the next year for existing general corporate expenditures and working capital purposes in the existing business. The Company has identified numerous cash flow improvement initiatives which are being implemented in 2012 that are expected to improve the net cash flow after debt service costs. The Company is considering actions to reduce its senior debt levels through improved excess cash flow and additional equity financing. Longer-term capital requirements will depend on many factors including the number and size of future acquisitions, the rate of growth of the Company's client base, and the cost of expanding in new markets for existing and new healthcare services.

In anticipation of changes in capital requirements, on October 21, 2011, a base shelf prospectus was filed by the Company. The base shelf prospectus provides for the Company to raise additional capital through the issuance of up to $265,500 in convertible debt securities, common shares and share purchase warrants. The Company completed a prospectus supplement under this base shelf prospects with a first closing in December 2011 and a second closing in February 2012. Through this offering, the Company raised gross proceeds of $13,610 through the sale of units as described in note 20.

The Company is subject to certain financial performance covenants as part of its banking agreement. The Company did not meet certain financial performance covenants at December 31, 2011. The Company has obtained a waiver with regards to not meeting certain financial performance covenants from its lenders subsequent to year end. The liquidity risks associated with the Company's bank covenants and the Company's related plans and actions are discussed in note 2.

7. Loans Receivable and Investments in Franchisees

The Company's loans receivable balance consists of the following:

	December 31, 2011	December 31, 2010
	$	$
Loan to PrevCan Inc.	**100**	1,714
Loans to franchisees	**873**	-
	973	1,714

(in thousands of Canadian dollars)

7. Loans Receivable and Investments in Franchisees – continued

PrevCan Inc.

On May 17, 2010, the Company entered into an agreement with PrevCan Inc. to advance $2,000 on a periodic basis through to April 1, 2011. The advances bear interest at 6% per annum which is payable the earlier of the loan maturity or six months in arrears. The loan and any accrued interest were originally due on May 11, 2011 payable at PrevCan Inc.'s option in either cash or shares in PrevCan Inc, representing a 50% fully diluted interest. The loan was extended to January 31, 2012. At December 31, 2011 the Company recorded a provision of $2,089 against this loan receivable and related interest resulting in a carrying value of $100. The loan receivable portion of the impairment is $1,929 and the interest portion of the impairment is $160. In accordance with the alternatives available under the loan agreement, the Company expects PrevCan Inc. to settle this liability by issuing shares of PrevCan Inc.

Franchisees

Loans receivable from franchisees of $873 are related to the MediChair Ltd. ("MediChair") home medical equipment operations. MediChair has various loan agreements with its franchisees. These loans have negotiated repayment terms from 1 to 4 years and interest rates of approximately 2% per month. The majority of these loans are secured by personal guarantees over the franchisees' assets.

The Company has investments in three franchisees. The fair value of the acquired interests in these franchisees on the date of acquisition, June 9, 2011, was $208. There franchisees had no earnings attributable to the Company from June 9, 2011 to December 31, 2011.

8. Inventories

The Company's inventory balances as at December 31, 2011 and 2010 consisted of the following:

	December 31, 2011	December 31, 2010
	$	$
Medical supplies and prescription drugs	**3,946**	230
Retail and home medical equipment	**1,311**	-
	5,257	230

Inventories that were expensed during the current year were $17,891 (2010 - $1,459). There were no provisions for the impairment of inventory or reversal of inventory provisions for the years ended December 31, 2011 and 2010. Inventories are pledged as security as part of the Company's lending agreements as outlined in note 13.

9. Business Combinations

Performance

On December 8, 2011, the Company completed the acquisition of 75% of the shares of Performance. Performance operates clinics mainly in Ontario providing custom orthotics, custom bracing, and laser and shockwave therapy.

The purchase price of $5,856 includes $3,000 in cash paid upon closing and the estimated value of contingent consideration of $2,856. Contingent consideration includes the issuance of 3,000,000 common shares of the Company which are being held in escrow subject to Performance achieving certain performance targets. Contingent consideration also includes the issuance of 2,000,000 share purchase warrants at a price of $2.33 subject to Performance achieving certain performance targets. The warrants have a two-year term from the date on which they vest, subject to outperformance of the total performance target.

No recorded goodwill has been added to the Company's cumulative eligible capital ("CEC") pool for tax purposes.

Revenue and income from operations of Performance from the date of acquisition, December 8, 2011 to December 31, 2011, were $204 and $39, respectively.

Classic Care

On November 17, 2011, the Company completed the acquisition of 100% of the shares of Classic Care Pharmacy Corporation ("Classic Care"). Classic Care provides pharmaceutical, dispensing, delivery and consulting services to long-term care homes and retirement residences.

The purchase price of $49,190 includes $24,809 in cash paid upon closing, the issuance of 11,240,375 common shares valued at $20,607 and the estimated value of contingent consideration of $3,774. The contingent consideration includes 2,810,094 common shares of the Company which are being held in escrow subject to Classic Care achieving certain financial performance targets. In addition, 5,000,000 warrants were issued at a price of $1.78 and are subject to Classic Care achieving certain performance targets. The warrants have a three-year term from the date on which they vest, subject to outperformance of the total performance target.

No recorded goodwill has been added to the Company's CEC pool for tax purposes.

Revenue and income from operations of Classic Care from the date of acquisition, November 17, 2011 to December 31, 2011, were $8,413 and $1,078, respectively.

Blue Water

On August 17, 2011, the Company completed the acquisition of substantially all of the assets and businesses of Blue Water Rejuvenation Institute Inc., Blue Water Diagnostics Ltd. and Windsor Endoscopy Centre Ltd. (collectively "Blue Water") and 75% of the outstanding shares of London Scoping Centre ("LSC"), which were collectively owned by the same vendor.

Blue Water owns and operates three state-of-the-art surgical and endoscopy facilities located in Sarnia and Windsor, Ontario.

9. Business Combinations – continued

The purchase price of $10,421 includes $7,500 in cash paid upon closing, $175 holdback amount, and the estimated value of contingent consideration of $2,746 representing the issuance of up to 9,230,769 common shares of Centric Health, comprised of 6,153,846 common shares and warrants to purchase up to 3,076,923 common shares at a price of $1.30 subject to Blue Water achieving certain performance targets. The warrants have a two-year term from the date on which they vest, subject to outperformance of the total performance target.

The entire amount of recorded goodwill and intangible assets has been added to the Company's CEC pool for tax purposes.

Revenue and income from operations of Blue Water from the date of acquisition, August 17, 2011 to December 31, 2011, were $2,538 and $548, respectively.

LSC

On August 17, 2011, the Company completed the acquisition of 75% of the issued and outstanding shares of LSC for cash and additional share-based contingent consideration. LSC is located in South London, Ontario, in a newly constructed leased facility offering a modern, high-tech outpatient clinic which provides a range of scoping procedures.

The purchase price of $1,283 includes $500 in cash paid upon closing, and the estimated value of contingent consideration of $306 representing the issuance of up to 1,050,000 common shares of the Company, comprised of 675,000 common shares and warrants to purchase up to 375,000 common shares at a price of $1.30 subject to LSC achieving certain performance targets. The warrants have a two-year term from the date on which they vest, subject to outperformance of the total performance target.

No recorded goodwill has been added to the Company's CEC pool for tax purposes.

Revenue and income from operations of LSC from the date of acquisition, August 17, 2011 to December 31, 2011, were $575 and $62, respectively.

DNP

On August 15, 2011, the Company completed the acquisition of substantially all of the assets and businesses of Dedicated National Pharmacies Inc., Methadrug Clinic Limited, and Union Medical Pharmacy Inc. (collectively "DNP"). DNP operates a network of specialty and niche pharmacies.

In 2010, a deposit of $1,266 was made in respect of this acquisition which was refunded prior to the closing date. This amount was included in prepaid expenses as at December 31, 2010.

The purchase price of $9,597 includes $9,157 in cash paid upon closing, and 200,000 common shares issued at a value of $440.

The value ascribed for the Company's space licence agreement has been added to the Company's capital cost allowance pool for tax purposes.

Revenue and income from operations of DNP from the date of acquisition, August 15, 2011 to December 31, 2011, were $7,013 and $696, respectively.

9. Business Combinations – continued

LifeMark

On June 9, 2011, the Company completed the acquisition of 100% of the residual limited partnership units of LifeMark. LifeMark operates approximately 104 physiotherapy clinics, 11 assessment clinics, one surgical centre (Calgary, Alberta), and has franchise rights over 24 home medical equipment retail locations ("MediChair") across Canada.

The purchase price of $190,062 includes $83,200 in cash paid upon closing (which included repayment of certain existing debt within LifeMark), and the estimated value of contingent consideration of $106,862 representing the issuance of up to 46,875,000 shares of the Company which are contingent on LifeMark achieving certain predetermined earnings targets for the twelve months ending June 30, 2012. In addition, the vendors of LifeMark can earn contingent consideration based on the outperformance of EBITDA targets for acquisitions which LifeMark was in the process of completing at the time of its acquisition and were actually completed within a designated period after the acquisition of LifeMark by the Company. Included in the liabilities assumed on completion of the acquisition is preferred partnership units held by Alaris Income Growth Fund Partnership ("Alaris") of $65,500, which are further described in note 13 to these consolidated financial statements.

No recorded goodwill has been added to the Company's CEC pool for tax purposes. Certain amounts related to intangible assets acquired in this transaction have been added to the Company's CEC for tax purposes.

Revenue and income from operations of LifeMark from the date of acquisition, June 9, 2011 to December 31, 2011, were $93,875 and $4,264, respectively.

On September 1, 2011, LifeMark acquired MediChair North York for $493. MediChair North York is operating as a corporate store in the Company's retail and home medical equipment operations.

SSI

On January 19, 2011, the Company completed the acquisition of 100% of the shares in Surgical Spaces Inc. ("SSI"), being effective as at January 1, 2011. SSI operates two surgical facilities in Vancouver and Winnipeg as well as a full-service medical clinic providing diagnostic testing, specialty medical consulting, family practice and urgent care to its patients.

The purchase price of $18,983 includes $8,150 in cash paid upon closing, $678 in cash paid for a net debt adjustment, a holdback of $250 and the estimated value of contingent consideration of $9,905. The balance of the purchase price may have been paid by the issuance of up to 11,827,956 shares of the Company at a price of $1.10 based on SSI achieving certain predetermined earnings targets for the year ended December 31, 2011. SSI achieved certain performance targets as specified in the agreement for this transaction. As a result, subsequent to December 31, 2011, the Company issued 10,127,956 shares to the SSI vendors.

(in thousands of Canadian dollars)

9. Business Combinations - continued

No recorded goodwill or intangible assets have been added to the Company's CEC pool for tax purposes.

Revenue and net loss from operations of SSI for the year ended December 31, 2011, were $20,264 and $167, respectively.

The purchase price and fair value of the net assets acquired for the Company's acquisitions are as follows:

Purchase price	**SSI** **$**	**LifeMark** **$**	**DNP** **$**	**Blue Water** **$**	**LSC** **$**	**Classic Care** **$**	**Performance** **$**	**Other** **$**	**Total** **$**
Cash consideration	8,828	18,200	9,157	7,500	500	24,809	3,000	1,103	73,097
Common shares	-	-	440	-	-	20,607	-	-	21,047
Contingent consideration	9,905	106,862	-	2,746	306	3,774	2,856	117	126,566
Holdback amount	250	-	-	175	-	-	-	-	425
Non-controlling interest	-	-	-	-	477	-	-	-	477
Cash paid to Alaris to redeem preferred partnership units	-	65,000	-	-	-	-	-	-	65,000
	18,983	**190,062**	**9,597**	**10,421**	**1,283**	**49,190**	**5,856**	**1,220**	**286,612**

Fair value of net assets acquired	**SSI** **$**	**LifeMark** **$**	**DNP** **$**	**Blue Water** **$**	**LSC** **$**	**Classic Care** **$**	**Performance** **$**	**Other** **$**	**Total** **$**
Current assets	1,171	28,003	726	114	196	7,803	266	670	38,949
Property and equipment	4,333	9,803	1,742	855	386	1,427	24	160	18,730
Goodwill	12,984	194,157	-	7,843	1,008	45,582	5,775	214	267,563
Intangibles	9,038	108,960	7,129	2,230	-	-	-	310	127,667
Deferred tax assets (liabilities)	(1,352)	(4,193)	-	66	19	103	-	-	(5,357)
Other non-current assets	-	1,582	-	-	-	-	-	-	1,582
Less: liabilities assumed	7,191	148,250	-	687	326	5,725	209	134	162,522
	18,983	**190,062**	**9,597**	**10,421**	**1,283**	**49,190**	**5,856**	**1,220**	**286,612**

The fair value of the contingent consideration of $2,746 for Blue Water, $306 for LSC, $3,774 for Classic Care and $2,856 for Performance is the estimated fair value of the consideration to be earned at the time of the closing of these acquisitions. The contingent consideration has been calculated using the quoted market price of the Company's common shares which are discounted to reflect that they are not freely tradable until they are released from escrow and the estimated future earnings of the acquired company. Factors reviewed in the assessment of the fair value of contingent consideration include; the length of time the performance is to be measured, the nature of the business and the business' inherent reliance on physicians and patients.

(in thousands of Canadian dollars)

9. Business Combinations - continued

The fair value of the contingent consideration liability of $106,862 for LifeMark at the date of acquisition (including the effect of LifeMark closed acquisitions) was determined based on estimates of expected LifeMark earnings for the period ending June 30, 2012 and by using the closing quoted market price of the Company's common shares on the date of acquisition which is discounted to reflect that the shares are not freely tradable until they are released from escrow.

The fair value of the contingent consideration arrangement of $9,905 for SSI at the date of acquisition was determined based on estimates of SSI's expected earnings for the year ending December 31, 2011 and by using the quoted market price on the date of acquisition of the Company's common shares and the Black-Scholes pricing model for the warrants. The contingent consideration period for SSI concluded on December 31, 2011 and the final value of the contingent consideration due to the former owners of SSI has been determined to be $16,103. The fair value of the contingent consideration liability has been adjusted to reflect the finalization of the SSI contingent consideration.

The purchase price allocation for SSI, LifeMark, DNP, Blue Water and LSC, is near completion but not yet final. Estimated values for the majority of working capital amounts and tangible and intangible assets have been identified. The Company is reviewing the fair value of shares issued in escrow as contingent purchase consideration. The purchase price for Classic Care and Performance are preliminary in nature as any finite-life intangible assets for that may have been acquired by the Company are yet to be identified. The Company has identified the majority of tangible asset and liabilities assumed for these acquisitions.

Contingent consideration
The following illustrates the possible range of contingent payments due to vendors from business acquisitions:

Acquired entity	Acquisition date	Performance term	Issuable common shares	Issuable outperformance warrants*	Amount recognized at acquisition date $	Range of value of contingent consideration $	Contingent consideration liability at December 31, 2011 $
SSI	Jan. 19, 2011	1 year	11,827,956	8,000,000	9,905	16,103	16,103
LifeMark	June 9, 2011	1 year	46,875,000	-	106,862	0 - 74,531	37,693
Blue Water	Aug. 17, 2011	3 years	6,153,846	3,076,923	2,746	0 - 12,217	3,317
LSC	Aug. 17, 2011	3 years	675,000	375,000	306	0 - 1,370	366
Classic Care	Nov. 17, 2011	1 – 1.5 years	2,810,094	5,000,000	3,774	0 - 6,048	3,616
Performance	Dec. 8, 2011	2 years	3,000,000	2,000,000	2,856	0 - 6,332	2,620
Other		3 years	2,356,004	1,000,000	594	0 - 3,725	1,924
Total			**73,697,900**	**19,451,923**	**127,043**	**16,103 - 120,326**	**65,639**

* The issuable outperformance warrants will only be issued to the vendors of the transaction to the extent that the acquired business outperforms their warranted EBITDA as established in the respective transaction agreements.

(in thousands of Canadian dollars)

9. Business Combinations - continued

Contingent consideration is valued using the share price of the Company's common shares on the date of acquisition, less a discount to reflect that the shares are not freely tradable until they are released from escrow and are revalued at each subsequent reporting date. As such, the maximum possible contingent consideration is an estimate. For the purposes of the disclosure above, the maximum possible contingent consideration has been valued at $120,326 based on the share price of the Company's common shares on December 31, 2011 ($1.59 per share).

Transaction and restructuring costs

Transaction and restructuring costs incurred, including legal, consulting and due diligence fees, directly related to business combinations as well as severance costs resulting from acquisitions, are expensed as incurred. During the year ended December 31, 2011, transaction and restructuring costs were $8,181 (2010 - $1,141).

Annualized performance of acquisitions

The following table illustrates the impact on revenue and income from operations as if all business combinations had taken place on January 1, 2011:

Year ended December 31, 2011	**Transaction effective date**	**Revenue $**	**Income from operations $**
As reported		**200,992**	**6,812**
SSI	January 1, 2011	**-**	**-**
LifeMark	June 9, 2011	**74,002**	**8,237**
BWC	August 17, 2011	**6,678**	**2,750**
LSC	August 17, 2011	**266**	**(83)**
Classic Care	November 17, 2011	**57,119**	**6,523**
Performance	December 8, 2011	**1,072**	**21**
MediChair North York	September 1, 2011	**1,333**	**188**
Total		**341,462**	**24,448**

The data above was gathered from due diligence and closing statements as received in the process of completing the transactions. There is no additional revenue added for the SSI acquisition as its effective acquisition date was January 1, 2011. The data with respect to the acquisition of DNP is not available as the company was operated by a receiver in the period from January 1, 2011 through the date of acquisition. There were no operational reports prepared during this period that are accessible by the Company.

(in thousands of Canadian dollars)

9. Business Combinations - continued

2010 Acquisitions

For the year ended December 31, 2010, the Company completed the acquisition of the assets of a sleep clinic, 100% of the shares of CAR, and the assets of two retail pharmacies on the campus of Southlake Regional Health Centre. The purchase consideration and fair value of the net assets acquired were as follows:

Purchase price	**Sleep Clinic $**	**CAR $**	**Pharmacies $**	**Total $**
Cash consideration	250	500	7,270	8,020
Contingent consideration	-	477	-	477
	250	**977**	**7,270**	**8,497**

Fair value of net assets acquired	**Sleep Clinic $**	**CAR $**	**Pharmacies $**	**Total $**
Current assets	-	466	285	751
Property and equipment	-	24	232	256
Intangible assets	250	291	2,200	2,741
Goodwill	-	446	4,643	5,089
Less: liabilities assumed	-	250	90	340
	250	**977**	**7,270**	**8,497**

(in thousands of Canadian dollars)

10. Contingent Consideration

Share-based contingent consideration consisting of the Company's shares and warrants to be released from escrow or issued based on the acquired businesses achieving predetermined earnings targets is estimated at the date of acquisition taking into consideration the quoted market prices of the Company's common shares at the dates of acquisition discounted to reflect that the shares are not freely tradable until they are released from escrow and the probability of achieving the earnings targets. The value of the estimated contingent consideration is revised each reporting period to reflect changes in the Company's share price and changes in the probability of achieving earnings targets.

The following is the continuity of the contingent consideration liability to be settled in shares and warrants:

	SSI $	LifeMark $	Blue Water $	LSC $	Classic Care $	Performance $	Other $	Total $
Balance at January 1, 2010	-	-	-	-	-	-	-	-
Fair value at date of acquisition	-	-	-	-	-	-	477	477
Increase in fair value during the year	-	-	-	-	-	-	314	314
Balance at December 31, 2010	-	-	-	-	-	-	791	791
Fair value at date of acquisition	9,905	106,862	2,746	306	3,774	2,856	117	126,566
Contingent consideration settled	-	-	-	-	-	-	(1,000)	(1,000)
Change in fair value during the year	6,198	(69,169)	571	60	(158)	(236)	2,016	(60,718)
Total contingent consideration	**16,103**	**37,693**	**3,317**	**366**	**3,616**	**2,620**	**1,924**	**65,639**
Less: Current portion	**16,103**	**37,693**	**1,106**	**122**	**3,616**	**1,310**	**930**	**60,880**
Non-current portion at December 31, 2011	**-**	**-**	**2,211**	**244**	**-**	**1,310**	**994**	**4,759**

The above table excludes LifeMark acquired contingent consideration payable in cash in the amount of $3,210 at December 31, 2011 of which $2,129 is payable within one year. An increase of $640 has been recorded to the fair value of contingent consideration liability in the income statement for changes in estimates of LifeMark contingent consideration.

During the year, certain performance targets were achieved relating to the Company's acquisition of CAR that resulted in shares valued at $1,000 being issued by the Company to the vendors for this transaction.

(in thousands of Canadian dollars)

11. Property and Equipment

	Office furniture, fixtures and equipment $	Computer equipment $	Medical and physiotherapy equipment $	Leasehold improvements $	Total $
As at January 1, 2010					
Cost	1,921	1,162	673	186	3,942
Accumulated depreciation	(1,743)	(806)	(432)	(9)	(2,990)
Net carrying value	**178**	**356**	**241**	**177**	**952**
Year ended December 31, 2010					
Opening net carrying value	178	356	241	177	952
Additions	65	106	211	132	514
Acquisition of subsidiary	21	10	15	211	257
Disposals	-	-	(10)	-	(10)
Depreciation for the year	(31)	(115)	(87)	(31)	(264)
Closing net carrying value	**233**	**357**	**370**	**489**	**1,449**
As at December 31, 2010					
Cost	2,007	1,278	889	529	4,703
Accumulated depreciation	(1,774)	(921)	(519)	(40)	(3,254)
Net carrying value	**233**	**357**	**370**	**489**	**1,449**
Year ended December 31, 2011					
Opening net carrying value	233	357	370	489	1,449
Additions	399	389	644	2,707	4,139
Acquisitions	3,644	2,404	6,145	6,536	18,729
Depreciation for the year	(418)	(279)	(783)	(1,623)	(3,103)
Closing net carrying value	**3,858**	**2,871**	**6,376**	**8,109**	**21,214**
As at December 31, 2011					
Cost	6,050	4,071	7,678	9,772	27,571
Accumulated depreciation	(2,192)	(1,200)	(1,302)	(1,663)	(6,357)
Net carrying value	**3,858**	**2,871**	**6,376**	**8,109**	**21,214**

(in thousands of Canadian dollars)

12. Goodwill and Intangible Assets

	Goodwill $	Licences $	Contracts $	Non-compete contracts $	Computer software $	Franchise rights $	Customer & physician relationships $	Trademark $	Total $
As at January 1, 2010									
Cost	14,213	1,147	4,105	-	1,500	-	-	-	20,965
Accumulated amortization and impairment	-	**(371)**	-	-	(125)	-	-	-	(496)
Net carrying value	**14,213**	**776**	**4,105**	**-**	**1,375**	**-**	**-**	**-**	**20,469**
Year ended December 31, 2010									
Opening net carrying value	14,213	776	4,105	-	1,375	-	-	-	20,469
Additions	5,089	250	291	-	291	-	2,200	-	8,121
Amortization charge	-	-	-	-	(230)	-	(55)	-	(285)
Impairment	-	-	-	-	-	-	-	-	-
Closing net carrying value	**19,302**	**1,026**	**4,396**	**-**	**1,436**	**-**	**2,145**	**-**	**28,305**
As at December 31, 2010									
Cost	19,302	1,397	4,396	-	1,791	-	2,200	-	29,086
Accumulated amortization and impairment	–	(371)	–	-	(355)	-	(55)	-	(781)
Net carrying value	**19,302**	**1,026**	**4,396**		**1,436**	**-**	**2,145**		**28,305**
Opening net carrying value	19,302	1,026	4,396	-	1,436	-	2,145	-	28,305
Additions	-	-	-	-	292	-	-	-	292
Acquisitions	267,563	7,439	9,768	955	2,200	6,860	55,120	45,325	395,230
Amortization charge	-	(267)	(688)	(266)	(435)	(186)	(6,542)	(3,086)	(11,470)
Impairment	(50,000)	-	-	-	-	-	(872)	-	(50,872)
Closing net carrying value	**236,865**	**8,198**	**13,476**	**689**	**3,493**	**6,674**	**49,851**	**42,239**	**361,485**
As at December 31, 2011									
Cost	286,865	8,836	14,164	955	4,283	6,860	57,320	45,325	424,608
Accumulated amortization and impairment	(50,000)	(638)	(688)	(266)	(790)	(186)	(7,469)	(3,086)	(63,123)
Net carrying value	**236,865**	**8,198**	**13,476**	**689**	**3,493**	**6,674**	**49,851**	**42,239**	**361,485**

12. Goodwill and Intangible Assets - continued

The Company has $14,252 of indefinite life intangible assets at December 31, 2011 (December 31, 2010 - $ 5,422 January 1, 2010 - $4,881)

The Company recorded a goodwill impairment loss of $50,000 most of which arose from the acquisition of LifeMark. A significant portion of the consideration paid for LifeMark in June 2011 included shares of the Company to settle the contingent consideration portion of the purchase price. The value of contingent consideration was valued based on the Company's share price at the date of acquisition which was $2.90 per share and discounted to reflect that the shares are not freely tradable until they are released from escrow. This substantially increased the cost of the acquisition and related recognition of goodwill. The Company's share price at December 31, 2011 was $1.59. The Company revised its estimate for the amount of contingent consideration that the vendors of LifeMark will receive at the conclusion of their earn-out period. This revision has reduced the contingent consideration obligation and the Company's assessment of the LifeMark fair value for the purposes of assessing impairment of goodwill and indefinite life intangible assets acquired with the acquisition of LifeMark.

The process to assess the impairment of goodwill under IFRS is complex and involves significant management judgment and assessments, including operating segment allocations. Further goodwill impairment may arise in 2012 if the performance of acquired businesses falls below the agreed upon financial performance targets resulting in a reduction of the issued contingent consideration and fair values of operating segments also decline.

The Company measured its recoverable amount based on the fair value of the CGU less its cost to sell. The Company used discounted cash flows which involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates.

The Company identified ten CGUs as part of its goodwill impairment testing. The Company allocated indefinite life intangible assets of $12,916 to the physiotherapy - eldercare CGU, $1,026 to a surgical CGU and $310 to the pharmacy CGU.

The Company's growth assumptions were based on the Company's internal budget. The Company projected revenue, operating margins, and cash flows for a period of four years, and applied a perpetual long-term growth rate thereafter. In arriving at its forecasts, the Company considered past experience, economic trends and inflation as well as industry and market trends. The growth projections took into account the expected impact from new growth initiatives, customer, patient and physician retention, efficiency initiatives, and the maturity of the markets in which each of the Company's businesses operate.

The Company assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented a weighted average cost of capital ("WACC") for comparable companies operating in similar industries as the applicable CGU, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of the CGU. Lower discount rates were applied to CGUs whose cash flows are expected to be less volatile due to factors such as the maturity of the market they serve and their market position. Higher discount rates were applied to CGUs whose cash flows are expected to be more volatile due to competition, or participation in less stable geographic markets.

(in thousands of Canadian dollars)

12. Goodwill and Intangible Assets - continued

The tax rates applied to the cash flow projections were based on the statutory tax rate of the Company of approximately 30%. Tax assumptions are sensitive to changes in tax laws as well as assumptions about the jurisdictions in which profits are earned. It is possible that actual tax rates could differ from those assumed.

The assumptions used by the Company in its goodwill impairment testing are as follows:

CGU	Goodwill $	Terminal Growth Rate	Discount Rate
Physiotherapy – Eldercare	48,269	2%	8%
Physiotherapy - Clinics	112,860	2%	8%
Pharmacy	50,671	2%	8%
Assessments	32,457	2%	8%
Other	42,608	2% - 5%	8% - 19%
Total	**286,865**		

The fair value for each CGU, other than the physiotherapy – clinics CGU, was in excess of its carrying value. The $50,000 impairment of goodwill is related to the physiotherapy – clinics CGU where the carrying value of the CGU was in excess of its fair value.

The Company recognized an impairment loss for the year ended December 31, 2011 of $872 for certain prescription files in their pharmacy operations. The impairment was a result of more rapid attrition of the customer relationship as had been estimated by the Company. The remaining balance of the prescription files are recorded at fair value less cost to sell based on projected discounted cash flows. The Company did not reverse any impairment losses into income for the years ended December 31, 2011 and December 31, 2010.

(in thousands of Canadian dollars)

13. Borrowings

Borrowings consist of the following:

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Term Loan	**155,000**	14,987	9,900
Loan arrangement costs	**(5,977)**	(456)	(632)
Revolving Facility	**26,888**	-	-
Convertible debt from unit offering	**5,846**	-	-
Financing fees	**(1,232)**	-	-
Related party loan (note 19)	**-**	4,434	-
Related party convertible loan (note 19)	**5,000**	5,000	-
Unaccreted discount (note 19)	**(773)**	(1,096)	-
	184,752	22,869	9,268
Less: current portion	**175,911**	4,434	2,200
Total non-current borrowings	**8,841**	18,435	7,068

On June 9, 2011, the Company entered into a credit agreement for a four-year committed term facility ("Term Loan") and a four-year committed operating facility ("Revolving Facility"). The Term Loan has a maximum borrowing limit of $160,000, with quarterly principal repayment terms. Interest is calculated on a sliding scale ranging from prime plus 1.25% to prime plus 2.50% for principal borrowed and a range of 0.79% to 1.22% standby rate fee for amounts not borrowed. Unamortized loan arrangement costs totalled $5,977 at December 31, 2011, and are netted against the Term Loan.

The Term Loan is subject to covenant tests to be performed at each reporting date. The Company did not meet certain of its financial performance covenants at December 31, 2011. However, the Company received a waiver from its lenders subsequent to December 31, 2011 with respect to certain financial performance covenants at December 31, 2011. As required under IFRS, the Company has presented its net Term Loan balance of $149,023 and Revolving Facility balance of $26,888 as current liabilities. The Company's repayment schedule has not been amended as a result of the financial performance covenant and the subsequent waiver obtained by the Company from its lenders.

As at December 31, 2011, the Company has borrowed $155,000 of the Term Loan. Repayment terms are as follows:

	Total	1 year	2-3 years	4-5 years
Term Loan	$ 155,000	$ 12,500	$ 29,000	$ 113,500

The Revolving Facility has a maximum borrowing limit of $35,000, inclusive of $5,000 swing line availability, at a variable rate based on prime. As at December 31, 2011, the Company has borrowed $26,888 of this facility. The revolving facility is payable at the end of the four year term from when the Company entered into its credit agreement.

The Company also has additional borrowing capacity in terms of a pre-arranged accordion of $40,000 to be made available under its Revolving Facility, for acquisitions. Subsequent to year end, the Company used a portion of the accordion as part of its acquisition of Motion Specialties Inc. ("Motion Specialties").

Substantially all of the Company's assets are pledged as security for the above borrowings.

13. Borrowings – continued

Concurrent to the closing of LifeMark on June 9, 2011, the Company repaid the 7% related party loan to Jamon Investments LLC ("Jamon"), in full, with accrued interest of $66. Accelerated accretion of $321 of non-cash interest on the related party loan was recorded in interest expense during the year ended December 31, 2011.

On December 7, 2011, the Company announced a public offering with a focus on the Company's staff and healthcare professionals through a directed share program of up to 3,000 units at a price of $10 per unit for total gross proceeds of up to $30,000. A unit consists of $2 worth of common shares priced at a 10% discount to the volume weighted average trading price of the Company's common shares listed on the TSX for the five consecutive trading days immediately preceding the date of the pricing of the offering, $8 of unsecured, subordinated, convertible notes which bear interest at an annual rate of 6% paid semi-annually maturing on December 22, 2016, and common share purchase warrants, with a strike price of $1.66, equal to the same number of common shares forming part of the unit. The first closing of this offering was in December 2011 and the second closing was in February 2012. Through this offering, the Company raised gross proceeds of $13,610. The accounting treatment for this transaction is outlined in note 20.

During the year ended December 31, 2011, the Company entered into interest rate swap agreements. Certain interest rate swaps have been designated as effective hedges. At December 31, 2011, the fixed interest rates on the Company's interest rate swaps were approximately 5.12% and the floating interest rates were based on the three month Canadian Bankers Acceptance rate. For the year ended December 31, 2011, the effective portion of the Company's losses associated with these hedged financial instruments (net of tax), was $73. The gain of $73 recognized in equity at December 31, 2011, will be released to the statement of comprehensive income once the related borrowings are repaid. The mark-to-market adjustment on swaps not designated as an effective hedge and expensed was $1,396 for the year ended December 31, 2011.

14. Preferred Partnership Units

The long-term debt of $65,500 represents preferred partnership units issued by LifeMark to Alaris that were assumed on acquisition on June 9, 2011. Alaris is entitled to annual distributions of $6,750 for the first year with annual increases of 4% at the end of each year thereafter. The principal amount grows at 4% annually from the third anniversary. The Company and Alaris entered into an amended and restated partnership agreement which, among other things, provides that there may be no redemption of the Alaris interest in LifeMark in the first two years following closing of the LifeMark transaction.

(in thousands of Canadian dollars)

15. Finance Lease Liabilities

The Company acquired lease agreements in connection with the acquisitions of SSI, Blue Water and LSC. The lease agreements were obtained to finance certain medical and physiotherapy equipment used in operations. Included within SSI, Blue Water and LSC, in property and equipment, are the following amounts where the Company is a lessee under finance leases:

	December 31, 2011 $
Cost - capitalized finance leases	3,722
Accumulated depreciation	1,375
Finance leased assets	**2,347**

The leases have an interest rate implicit in the lease ranging from 2% to 13% and resulted in a finance lease obligation with future minimum lease payments as follows:

	December 31, 2011 $
No later than 1 year	2,036
Later than 1 year but no later than 5 years	259
Future finance charges on finance lease	52
Minimum lease payments	**2,347**

The present value of finance lease liabilities is as follows:

	December 31, 2011 $
No later than 1 year	2,068
Later than 1 year but no later than 5 years	279
Present value of finance lease liabilities	**2,347**

(in thousands of Canadian dollars)

16. Income Taxes

The total provision for income taxes varies from the amounts that would be computed by applying the statutory income tax rate of approximately 29.74% (31% for 2010) to income before income taxes as follows:

	December 31, 2011 **$**	December 31, 2010 $
(Loss) income before income taxes	**(10,896)**	4,066
Expected income tax (recovery) expense based on statutory tax rate	**(3,240)**	1,260
Impact from non-deductible items	**2,809**	960
Permanent difference relating to contingent consideration	**(16,210)**	-
Permanent differences relating to impairments	**14,260**	-
Losses carried forward	**-**	(93)
Scientific research and experimental development claims	**-**	(158)
Effect of future tax rate changes	**463**	(41)
Income tax (recovery) expense	**(1,918)**	1,928
Current	**2,916**	1,559
Deferred	**(4,834)**	369

The components of deferred income tax assets and liabilities are as follows:

	December 31, 2011 **$**	December 31, 2010 $
Property and equipment	**673**	-
Eligible capital expenditures	**2,654**	-
Non-capital losses carried forward	**7,061**	401
Investment tax credits	**37**	-
Financing costs	**795**	-
Accrued liabilities deductible when paid	**1,171**	146
Deferred tax asset s	**12,391**	547

	December 31, 2011 **$**	December 31, 2010 $
Property and equipment	**1,593**	227
Eligible capital expenditures	**1,533**	883
Acquired intangible assets	**9,616**	155
Financing costs	**-**	29
Accrued liabilities deductible when paid	**135**	-
Deferred tax liabilities	**12,877**	1,294
Net, deferred tax (liabilities) assets	**(486)**	747

Deferred income tax assets and liabilities are presented based on a net basis by legal entity on the balance sheet and are presented on a total gross basis in the notes to the financial statements. At December 31, 2011 deferred tax assets of $241 have not been recognized for a capital loss for which the Company does not expect to realize the related benefit. At December 31, 2010, the Company did not have any deferred tax assets that had not been recognized. At December 31, 2011 and 2010, the Company did not have any deferred tax liabilities that have not been recognized.

(in thousands of Canadian dollars)

16. Income Taxes – continued

In assessing the realization of deferred tax assets, the Company considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the period in which those temporary losses and tax loss carryforwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company believes that the use of these deductible differences is probable.

As at December 31, 2011 and 2010, the Company had $28,051 and $706, respectively of gross tax loss carryforwards. The Company expects that future operations will generate sufficient taxable income to realize the deferred tax assets.

Deferred tax assets of $1,967 (December 31, 2010 - $146) are expected to be recovered with in twelve months and $10,424 (December 31, 2010 - $401) are expected to be recovered after more than twelve months.

Deferred tax liabilities of $134 (December 31, 2010 - $29) are expected to be recovered with in twelve months and $12,743 (December 31, 2010 - $1,265) are expected to be recovered after more than twelve months.

17. Interest Expense

Interest expense for the years ended December 31, 2011 and 2010 are comprised of the following:

	Years ended December 31,	
	2011	2010
	$	$
Interest on long-term loan and revolving facilities	**4,835**	572
Amortization of loan arrangement fees	**2,188**	278
Distributions for preferred partnership units	**3,791**	-
Interest on related party debt	**500**	92
Accretion of related party loan discounts	**841**	71
Interest on capital leases	**183**	-
Accretion on interest rate swap	**-**	67
Total interest expense	**12,338**	1,080
Interest income	**93**	42
Net interest expense	**12,245**	1,038

(in thousands of Canadian dollars)

18. Trade and Other Payables

Trade and other payables for the years ended December 31, 2011 and 2010 are comprised of the following:

	Years ended December 31, 2011 $	2010 $
Trade payables	**17,352**	4,152
Accrued liabilities	**26,635**	4,025
Deferred revenue	**773**	-
Total trade and other payables	**44,760**	8,177

19. Related Party Transactions and Balances

In the normal course of operations, the Company has entered into certain related party transactions for consideration established with the related parties and approved by the independent non-executive directors of the Company.

Related party transactions

Related party transactions, in addition to those entered into with Company directors and management, have been entered into with Global Healthcare Investments and Solutions, Inc. ("GHIS") and entities controlled by the shareholders of GHIS including Jamon Investments LLC, who own 35,598,976 shares or approximately 21% of the issued and outstanding common shares of the Company as of December 31, 2011. This ownership percentage disclosed assumes issuance of 71,341,896 and 600,000 (escrowed and restricted shares, respectively) in the total common shares considered to be outstanding.

A summary of the transactions with related parties for the year ended December 31, 2011 and 2010, is as follows:

	Year ended December 31, $	
	2011	2010
GHIS fees		
Completion fees	**2,090**	137
Financing fees	**2,800**	-
Advisory fees	**720**	240
Market capitalization fee	**404**	429
Total fees earned by GHIS in the period	**6,014**	806
GHIS travel and related expenses	**128**	68
Interest incurred on Jamon loans	**500**	92
	6,642	966

19. Related Party Transactions and Balances – continued

During the year ended December 31, 2011, the Company incurred expenses payable to GHIS for its strategic advisory services pursuant to a consulting agreement with the Company. The GHIS consulting agreement, prior to amendment, provided that it receives fees based on up to 1.5% for completing financing, mergers and acquisitions, $20 per month as an advisory fee and 1% of the Company's weighted average market capitalization on an annual basis provided that the Company's market capitalization exceeds $20,000 in the period. Completion fees of $1,400 were incurred with respect to the LifeMark acquisition.

On June 30, 2011, GHIS and the Company negotiated an amended consulting agreement which eliminated the 1% market capitalization and $20 monthly consulting fees and implemented a fixed annual fee of $1,200, to be paid monthly, and completion fees based on 0.5% of the enterprise value for completion of financing, mergers and acquisitions, subject to approval by the Board of Directors. This new agreement is effective July 1, 2011 and has a term of four years. As part of the negotiations, GHIS reduced the market capitalization fee to 0.5% for the period from January 1, 2011 through June 30, 2011.

In addition to the completion fees above, GHIS earned an additional $161 related to the March 2011 private placement financing which is netted against the proceeds of the equity instruments issued in that transaction, and in the year ended December 31, 2011, an additional $2,800 related to the new financing arrangements, which, with the LifeMark advisory completion fee, is only due and payable when the Company meets the conditions set out in the Credit Agreement between Centric and its lenders. This amount is netted against the bank loan in borrowings and will be amortized over the term of the loan using the effective interest method. Included in trade and other payables at December 31, 2011 and 2010 are $4,785 and $237, respectively, due to GHIS; and $226 and $92, respectively for interest payable to Jamon.

GHIS has provided a letter of support to the Company indicating that it will exercise any options or warrants that it holds in the Company or provide alternative funding of similar value, if required, during 2012 in order to assist the Company in managing its liquidity risk.

Related party loans

During the year ended December 31, 2010, the Company entered into the following loan agreements with Jamon and received proceeds totalling $10,000. The loans were granted pursuant to two promissory notes. One bears interest at 6% with a conversion feature of one share per one dollar of principal amount and is due November 9, 2013, and the other bears interest at 7% with no conversion feature and was due November 9, 2011. In addition to the promissory notes, Jamon was issued a warrant to purchase one million common shares of the Company at an exercise price of $1 each. The warrant expires on November 9, 2013.

(in thousands of Canadian dollars)

19. Related Party Transactions and Balances – continued

The fair values of the loans, conversion feature and warrant were recorded as follows:

	December 31, 2011
	$
Related party loans:	
Related party convertible loan at 6%	**3,880**
Equity portion of related party convertible loan	**1,444**
Related party loan at 7%	**4,387**
Warrant	**289**
Total consideration at inception	**10,000**
Repayment of 7% loan	**(5,000)**
Balance, December 31, 2011	**5,000**

Concurrent to the closing of LifeMark on June 9, 2011, the Company repaid the unsecured related party loan at 7%, in full, to Jamon with accrued interest of $66. Accelerated accretion of $321 of non-cash interest was recorded in interest expense for the year ended December 31, 2011.

Other

GHIS Capital was the holder of a convertible debenture issued by the Company in 2007. Concurrent with the closing of the acquisition of the Active Health Management business, the Company redeemed the convertible debenture at its face amount of $750 and also agreed to issue to GHIS Capital a warrant, expiring on May 29, 2012, entitling it to subscribe for and purchase 25% of the issued and outstanding common shares, as calculated immediately following the exercise, of Alegro Health Partners Inc. (AHP), a wholly-owned subsidiary of the Company, upon the payment of $33.

On July 31, 2011, following a process involving an independent committee of the Board of Directors of the Company, the Company acquired all of the shares of GHIS Capital. The process included a fairness opinion from a leading professional services firm, to assist in supporting the value of the AHP warrant owned by GHIS Capital. GHIS Capital's sole asset was the AHP warrant. Pursuant to the contractual arrangements between GHIS Capital and the Company, AHP was a wholly-owned subsidiary that was formed to be the entity through which all new business opportunities, distinct from the Company's current operations, would be conducted. The warrant enabled GHIS Capital to acquire a 25% interest in AHP for $33. As consideration for such acquisition, the Company issued 3,500,000 common shares to the shareholders of GHIS Capital. Upon completion of the acquisition of GHIS Capital on July 31, 2011, the existing security holder agreement between the Company and GHIS Capital was terminated.

As a consequence of the acquisition of GHIS Capital and the termination of the security holder agreement, GHIS Capital's entitlement to a 25% participation in the Company's expansion into new health care sectors has been eliminated thus simplifying the Company's corporate structure and aligning the interests of all shareholders. The transaction has been accounted for at the fair value of the 3,500,000 common shares issued with this acquisition being treated as a capital transaction.

(in thousands of Canadian dollars)

19. Related Party Transactions and Balances – continued

Key management compensation

Key management includes directors and executive management of the Company. The compensation expense or amounts payable to key management for employee services is shown below:

	Year ended December 31, 2011 $	Year ended December 31, 2010 $
Salaries and benefits	**1,156**	243
Share-based payment expense	**660**	115
Other long-term benefits	**238**	74
Director fees	**208**	136
Total key management compensation	**2,262**	568

Directors employed by GHIS do not receive any director's fees. In addition, members of the Company's management that sit on the Board of Directors, do not receive any director's fees.

20. Shareholders' Equity and Earnings per Share

Common shares

Authorized share capital consists of an unlimited number of common shares. The number of common shares issued and outstanding is as follows:

Years ended December 31, ($ thousands, except share amounts)	**2011**		2010	
Common shares	**Shares**	**Stated value $**	Shares	Stated value $
Balance, beginning of year	**62,090,095**	**9,240**	61,015,095	8,921
Issued as compensation	**-**	**-**	100,000	-
Issued through private placement	**17,940,000**	**20,092**	-	-
Issued on acquisitions	**12,154,659**	**22,047**	-	-
Issued through public financing	**1,283,000**	**1,419**	-	-
Issuance of shares on acquisition of GHIS Capital (note 14)	**3,500,000**	**8,225**	-	-
Restricted share units vested	**500,000**	**540**	-	-
Warrants exercised	**40,000**	**75**	-	-
Stock options exercised	**712,500**	**484**	975,000	319
Balance, end of year	**98,220,254**	**62,122**	62,090,095	9,240

(in thousands of Canadian dollars)

20. Shareholders' Equity and Earnings per Share - continued

The Company's shares issued on acquisition are as follows:

	Shares	Stated Value $
Classic Care	11,240,375	20,607
DNP	200,000	440
CAR	714,284	1,000
	12,154,659	**22,047**

The vendors of CAR are entitled to receive additional contingent purchase consideration of up to 2,142,857 shares issued from treasury subject to achieving certain earnings targets over three years ending August 31, 2013. For the year ended December 31, 2011, the vendors of CAR earned and were issued 714,284 common shares in satisfaction of achieving the performance target for the first year.

The number of common shares considered to be issued for financial reporting purposes is exclusive of restricted shares issued, shares issued in trust or held in escrow pending the achievement of certain stated milestones or performance targets. The total shares in aggregate are 170,162,150 at December 31, 2011.

Shares restricted or held in escrow:

Entity	Escrowed Shares
Restricted compensation shares	600,000
SSI*	11,827,956
LifeMark	46,875,000
BlueWater	6,153,846
London Scoping	675,000
Classic Care	2,810,094
Performance	3,000,000
Total	**71,941,896**

* Subsequent to December 31, 2011, the Company issued 10,127,956 of the SSI escrowed shares to the SSI vendors as SSI achieved certain performance metrics as specified in the purchase agreement for this transaction. The remaining 1,700,000 SSI escrowed shares have been cancelled.

The continuity of escrowed shares is as follows:

	2011	2010
Balance at beginning of the year	1,100,000	-
Additional escrowed shares	71,341,896	1,100,000
Released escrowed shares	(500,000)	-
	71,941,896	**1,100,000**

(in thousands of Canadian dollars)

20. Shareholders' Equity and Earnings per Share - continued

Issuance of common shares and warrants

On March 3, 2011, the Company issued a private placement of 17,940,000 common shares and 538,200 warrants for gross proceeds of $21,528, net of issue costs and taxes of $1,115. Each warrant entitles the holder to acquire one common share for a period of two years from that date, at an exercise price of $1.27 per share. The warrants have been fair valued at $321 using the Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	89%
Risk-free interest rate	1.88%
Expected life in years	2
Share price at date of issue	$1.60
Fair value of warrant	$0.86

On December 7, 2011, the Company announced a public offering focused on the Company's staff and healthcare professionals through a directed share program of up to 3,000 units at a price of $10 per unit for total gross proceeds of up to $30,000. A unit consists of $2 worth of common shares priced at a 10% discount to the volume weighted average trading price of the Company's common shares listed on the TSX for the five consecutive trading days immediately preceding the date of the pricing of the offering, $8 of unsecured, subordinated to senior lenders and preferred partnership units, convertible notes which bear interest at an annual rate of 6% paid semi-annually, and common share purchase warrants, with a strike price of $1.66, equal to the same number of common shares forming part of the unit. The principal amount of the convertible notes can be converted prior to the close of business on the earlier of (i) the last business day immediately preceding the maturity date and (ii) the last business day immediately preceding the date specified by the Company for redemption of the convertible debt. Each note will be convertible into fully-paid, non-assessable and freely tradable shares of the Company at the option of the holder at any time following the period (if any) that the closing price of the Company's shares on the TSX has been at least $3.12 for 20 consecutive trading days at an initial conversion ratio of 320.51 shares per $1,000 principal amount of the convertible note. Upon conversion, the Company may offer and the converting holder may agree to the delivery of cash for all or a portion of the convertible debt surrendered in lieu of shares. The Company sold 1,000 units and received gross proceeds of $10,000 from the first closing of this public offering which closed on December 22, 2011. The Company incurred $2,107 in costs associated with this offering. The components of the offering that have been fair valued in the consolidated financial statements are the debt, common shares, warrants and equity portion of convertible borrowings. The debt has been fair valued based on current market interest rates. The common shares have been valued based on the closing price of the Company's shares of $1.62 on the date of the closing of this offering.

(in thousands of Canadian dollars)

20. Shareholders' Equity and Earnings per Share - continued

The warrants and the equity portion of convertible borrowings have been fair valued using the Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	83%
Risk-free interest rate	1.25%
Expected life in years	5
Share price at date of issue	$1.62
Fair value of warrant	$0.87

The Company has ascribed the following values to the components of the offering instrument, excluding issuance costs:

Common shares	$ 1,519
Warrants	996
Equity portion of convertible borrowings	1,639
Debt	5,846
Total	$ 10,000

Issuance of stock options, warrants and deferred stock-based compensation

There were 6,514,000 stock options issued to management and employees in the year ended December 31, 2011. The options have been fair valued, post-forfeiture rate, using the Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	94 – 119%
Risk-free interest rate	1.03 – 2.36%
Expected life in years	3 – 4.5
Share price at date of issue	$1.66 – $1.88
Forfeiture rate	4.95% – 7.89%
Weighted average fair value of option	$1.26

(in thousands of Canadian dollars)

20. Shareholders' Equity and Earnings per Share - continued

The outstanding and exercisable stock options are as follows:

Years ended December 31,	**2011**		2010	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of year	**6,100,000**	**$ 0.70**	5,075,000	$ 0.58
Options granted	**6,514,000**	**1.80**	2,450,000	0.82
Options exercised	**(712,500)**	**0.39**	(975,000)	0.21
Options forfeited	**(546,500)**	**1.22**	(450,000)	1.03
Balance, end of year	**11,355,000**	**1.32**	6,100,000	0.70
Exercisable, end of year	**2,295,834**	**0.68**	1,597,917	0.53

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding as at December 31, 2011 are as follows:

Options Outstanding				**Options Exercisable**	
Range of Exercise Price	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
$0.20 - $0.50	1,575,000	$0.38	1.6	1,133,334	$0.41
$0.51 - $1.00	2,300,000	$0.82	3.9	537,500	$0.83
$1.01 - $1.50	1,250,000	$1.03	2.9	625,000	$1.03
$1.51 - $1.88	6,230,000	$1.80	4.6	-	N/A
Total	11,355,000	$1.32	3.9	2,295,834	$0.68

The outstanding and exercisable warrants are as follows:

Years ended December 31,	**2011**		2010	
Share purchase warrants	**Warrants**	**Weighted average exercise price**	Warrants	Weighted average exercise price
Balance, beginning of year	**21,500,000**	**$ 0.36**	20,500,000	$ 0.33
Warrants granted	**1,821,200**	**1.54**	1,000,000	1.00
Warrants exercised	**(40,000)**	**1.27**	-	N/A
Balance, end of year	**23,281,200**	**0.45**	21,500,000	0.36
Exercisable, end of year	**21,998,200**	**0.38**	21,500,000	0.36

(in thousands of Canadian dollars)

20. Shareholders' Equity and Earnings per Share - continued

(Loss) Earnings per share

Earnings per share has been calculated on the basis of net income for the period divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share, for all periods presented, was calculated based on the weighted average number of common shares outstanding and share options and warrants outstanding during the period. Earnings per share is not adjusted for anti-dilutive instruments. The weighted average calculation was based on a time weighting factor and included all share options and warrants that were issued at prices lower than the market price of the Company's common shares at the respective period-ends.

The following table illustrates the dilutive effect of the outstanding share options, convertible debt and warrants for the years ended December 31, 2011 and 2010.

	Years ended December 31,	
	2011	2010
Basic weighted average shares outstanding	**80,656,105**	61,176,000
Dilutive effect of unvested shares	**750,000**	-
Dilutive effect of share options	**2,598,992**	1,346,000
Dilutive effect of warrants	**16,563,159**	10,174,000
Dilutive effect of convertible debt	**1,922,551**	-
Diluted shares outstanding	**102,490,807**	72,696,000

(in thousands of Canadian dollars)

21. Financial Instruments

During the year ended December 31, 2011, the Company's financial instruments consisted of cash, trade and other receivables, loans receivable, trade and other payables, its borrowings, related party loan, related party convertible loan and interest rate swaps.

Fair value hierarchy
Financial instruments carried at fair value have been categorized under three levels of fair value hierarchy as follows:

- *Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities*
  This level of the hierarchy includes cash. Fair value is determined based on quoted prices of regularly and recently occurring transactions take place.

- *Level 2: Inputs that are observable for the assets or liabilities either directly or indirectly*
  This level of the hierarchy includes derivative financial instruments with major Canadian chartered banks.

- *Level 3: Inputs for assets or liabilities that are not based on observable market data.*
  This level of the hierarchy includes contingent consideration settled with the Company's shares.

	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Contingent consideration	-	-	68,849	68,849
Derivative financial instruments	-	1,812	-	1,812
Balance at December 31, 2011	**-**	**1,812**	**68,849**	**70,661**

(in thousands of Canadian dollars)

21. Financial Instruments - continued

The carrying value of financial assets and financial liabilities that are measured at cost or amortized cost and approximate their fair values and include the following:

	December 31, 2011 $	**December 31, 2010 $**	**January 1, 2010 $**
Financial assets measured at cost or amortized cost			
Trade and other receivables	40,495	12,008	8,432
Loans receivable	973	1,714	-
Financial liabilities measured at cost or amortized cost			
Trade and other payables	44,760	8,175	5,700
Finance lease liability	2,347	-	-
Borrowings	184,752	22,869	9,269
LifeMark Preferred Partnership Units	65,500	-	-

Credit Risk

The Company is exposed to credit risk to the extent that its clients become unable to meet their payment obligations. The Company's exposure to concentrations of credit risk is limited. Accounts receivable and accrued receivables are from the sale of goods and services and are owed to the Company by the Workplace Safety and Insurance Board, government agencies, employers and insurance companies. Historically, the Company has experienced minimal bad debt expense.

Trade and other receivables aging was as follows:

	December 31, 2011 $	December 31, 2010 $
0 – 30 days	**27,433**	8,111
31 – 60 days	**4,374**	2,080
61 – 90 days	**1,346**	493
Over 90 days	**7,342**	1,324
Total	**40,495**	12,008

Included in accounts receivable at December 31, 2011 is $4,707 (December 31, 2010 - $1,420, January 1, 2010 - $932) of accrued receivables for services which had been rendered but not yet billed at year end.

(in thousands of Canadian dollars)

21. Financial Instruments - continued

The movement in the provision for impairment against trade and other receivables was as follows:

	December 31, 2011 $	December 31, 2010 $
Provision, beginning of year	**85**	166
Opening provision balance from acquisitions	**928**	-
Increases to the valuation allowance	**789**	-
Write-offs charged to the valuation allowance	**(712)**	(81)
Provision, end of year	**1,090**	85

The Company derived approximately 22% (2010 – 45%) of its revenues for the year ended December 31, 2011 from billings through its government billing privilege and as such is subject to concentration risk associated with these billings.

The Company's cash is held through Canadian chartered banks. The Company is not exposed to significant credit risk arising from its financial instruments.

The following table presents the contractual terms to maturity of the financial liabilities owned by the Company:

As at December 31, 2011

	Total $	1 year $	2-3 years $	4-5 years $	Thereafter $
Trade and other payables	44,760	44,760	-	-	-
Borrowings	192,734	12,500	34,000	146,234	-
Preferred partnership units	65,500	-	-	-	65,500
Finance leases	2,347	2,068	279	-	-
Interest payments on borrowings	27,789	7,746	15,100	4,943	-
Operating leases	58,703	17,773	23,766	9,127	8,037
Total	**391,833**	**84,847**	**73,145**	**160,304**	**73,537**

In addition, the Company has a contractual obligation to pay Alaris annual distributions of $6,750 which increase at a rate of 4% each year. The principal amount grows at 4% annually from the third anniversary with distribution payments increasing at the same rate as the growth in the principal. Redemption of the preferred partnership units cannot occur until after June 9, 2013, and no determination has been made as to when the preferred partnership units will be redeemed.

The Company incurs interest on its revolving facility. Future interest to be paid on the revolving facility cannot be reasonably determined due to the ongoing fluctuation of the revolving facility balance.

The Company incurs monthly interest payments on its interest swaps. These interest rate swaps are tied to market conditions and as such interest to be paid from the interest rate swap cannot be reasonably determined.

(in thousands of Canadian dollars)

21. Financial Instruments - continued

As at December 31, 2010

	Total	1 year	2-3 years	4-5 years	Thereafter
	$	$	$	$	$
Accounts payable and accrued liabilities	8,175	8,175	-	-	-
Borrowings	22,869	4,434	18,435	-	-
Operating leases	3,957	1,415	2,139	360	43
Total	35,001	14,024	20,574	360	43

Interest Rate Risk
Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company is exposed to interest rate risk through its floating rate Term Loan and Revolving Facility, whose interest rates are based on prime. The significant increase in interest-bearing debt for the year ended December 31, 2011 has increased the interest rate risk of the Company. In order to mitigate interest rate risk, the Company entered into an interest rate swap on $100,000 of its outstanding debt exchanging its variable rate debt for a fixed rate of 5.12%. The interest rate swap term is four years, coterminous with the existing term loan. In addition, the Company acquired a swap with its acquisition of LifeMark on approximately $18,000 of debt exchanging its variable rate for a fixed rate of 3.0% which matures on March 31, 2015.

As at December 31, 2011, a 1% change in the variable interest rates on the average balances for the year would have resulted in an annualized change in interest expense of approximately $819.

Currency Risk
Virtually all of the Company’s transactions are denominated in Canadian dollars. At December 31, 2011 and 2010, the Company held no financial instruments that were denominated in other than Canadian currency.

(in thousands of Canadian dollars)

22. Commitments

Future minimum annual lease payments under operating leases for premises and equipment are as follows:

	December 31, 2011 **$**	December 31, 2010 $	January 1, 2010 $
Less than one year	9,041	1,415	1,407
Between one and five years	19,965	2,499	3,038
More than five years	8,020	43	-
Total	37,026	3,957	4,445

Operating lease expenses for the year ended December 31, 2011 were $11,170 (December 31, 2010 - $1,383)

23. Contingencies

From time to time the Company is involved in litigation, investigations or proceedings related to claims arising out of its operations in the ordinary course of business. In the opinion of management, these claims and lawsuits in the aggregate, when settled are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

During the first quarter of 2010, the former CEO of the Company commenced a claim seeking compensation for the termination of her employment and additional compensation amounts. The Company settled this action and paid the related settlement during the year ended December 31, 2011.

(in thousands of Canadian dollars)

24. Segmented Information

The Company has organized its operations based on the various products and services that it offers. The consolidated operations of the Company comprise five reportable operating segments referred to as: (i) Physiotherapy; ii) Pharmacy; (iii) Surgical; (iv) Assessments; and, (v) Retail Medical.

Certain general and administrative corporate costs have been allocated to the reportable segments based on the extent of corporate management's involvement in the reportable segment during the period. Those costs that generally represent the costs associated with a publicly-listed entity, as well as legal fees, due diligence, advisory fees and related mergers and acquisition-related services provided by independent third parties have been reported in the Corporate reportable segment.

	As at and for the year ended December 31, 2011						
	Physiotherapy **$**	**Pharmacy** **$**	**Surgical** **$**	**Assessments** **$**	**Retail & Home Medical Equipment** **$**	**Corporate** **$**	**Total** **$**
Revenue	112,307	19,235	27,626	35,654	6,170	-	200,992
Depreciation and amortization	6,746	645	3,834	2,459	727	162	14,573
Interest expense	-	-	-	-	-	12,245	12,245
Income (loss) before interest expense and income taxes (1)	6,713	977	(512)	3,847	654	(10,330)	1,349
Capital expenditures	1,572	480	1,126	50	-	1,203	4,431
Goodwill	111,129	50,671	21,835	32,457	20,773	-	236,865
Total assets	217,233	73,302	39,746	61,000	40,902	4,508	436,691
Total liabilities	3,689	5,740	3,721	2,285	393	359,245	375,073

(1) Included in the income before interest expense and income taxes for the Corporate segment is $60,078 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period, $52,801 non-cash impairments and $8,181 in transaction and restructuring costs related to business acquisitions.

	As at and for the year ended December 31, 2010					
	Physiotherapy **$**	**Pharmacy** **$**	**Surgical** **$**	**Assessments** **$**	**Corporate** **$**	**Total** **$**
Revenue	37,995	1,203	1,394	21,890	-	62,482
Depreciation and amortization	404	5	18	116	8	551
Interest expense	-	-	-	-	1,038	1,038
Income before interest expense and income taxes (1)	6,443	32	(11)	4,566	(5,802)	5,228
Capital expenditures	249	39	155	246	118	807
Goodwill	14,612	4,643	-	47	-	19,302
Total assets (2)	24,703	7,883	2,048	7,956	12,317	54,907
Liabilities	4,399	154	56	2,862	26,759	34,230

(1) Included in the income before interest expense and income taxes for the Corporate segment is $312 of a non-cash loss from the net increase in the fair value of the contingent consideration liability for the period and $1,141 in transaction and restructuring costs related to business acquisitions.
(2) Total assets of the Corporate segment include a loan receivable of $1,714 from PrevCan Inc.