Centric Health

Your Care. Our Focus.

Management's Discussion and Analysis

For the three months ended March 31, 2012 and 2011

Dated: May 14, 2012

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For the three months ended March 31, 2012 and 2011

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 2012 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 three months ended March 31, 2012 and 2011 and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. The MD&A should be read on conjunction with the condensed unaudited interim consolidated financial statements and notes thereto for the three months ended March 31, 2012 and 2011. The condensed unaudited interim consolidated financial statements for the three months ended March 31, 2012 and 2011 are prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 May 14, 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 Three Months Ended March 31, 2012

- Revenue increased by 353% to $104.3 million for the three months ended March 31, 2012 as compared to $23.0 million for the three months ended March 31, 2011 as a result of organic growth and the completion of seven notable acquisitions between March 31, 2011 and March 31, 2012;

- Adjusted EBITDA[1] increased to $11.7 million for the three months ended March 31, 2012, as compared to $2.2 million for the three months ended March 31, 2011 and the adjusted EBITDA margin improved to 11.2% from 9.5% between the two periods;

- The Company's adjusted EBITDA margin improved from 8.1% for the three months ended December 31, 2011 to 11.2% for the three months ended March 31, 2012;

- On February 13, 2012, the Company completed the acquisition of Motion Specialties Inc. ("Motion Specialties") which expanded the Company's national presence in the retail and home medical equipment sector. From the date of acquisition to March 31, 2012, Motion Specialties was accretive by $1.1 million in adjusted EBITDA to the Company's results for the first quarter of 2012;

- The Company further expanded its national physiotherapy footprint by completing the acquisition of five physiotherapy businesses during the three months ended March 31, 2012;

- The Company completed the second closing of an innovative prospectus supplement focusing on staff and healthcare professionals, raising gross proceeds of $13.6 million from the first and second closings of this offering from approximately 180 participants;

- Subsequent to March 31, 2012, the Company renegotiated its lending agreement with its Senior Lender Syndicate. The amended lending agreement revised certain of the Company's financial performance covenants in order to provide the Company with greater financing flexibility;

- Subsequent to March 31, 2012, the Company completed a private placement of $15.0 million of subordinated, unsecured convertible notes. The proceeds from the private placement were used to pay down the Company's Senior Debt;

- Following the active mergers and acquisitions activity over the past year, the Company continued to enhance its corporate operations centre with a focus on integration, rationalization and support services so as to extract synergies throughout the Company;

- The Company now has the largest healthcare services platform and networks across Canada in physiotherapy assessments, seniors wellness, surgical and medical centres, specialty pharma, orthotics and home medical equipment with over 980 locations.

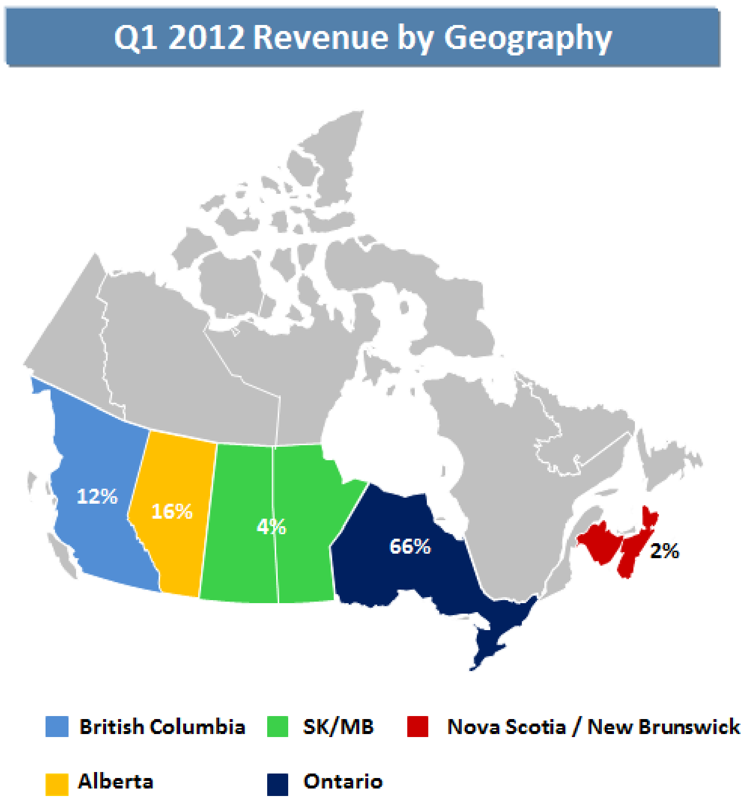
Business Overview

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. The Company reaches approximately 980 locations across Canada with 19 surgical operating rooms and services over 60,000 long-term care and retirement home beds through its more than 3,400 healthcare professionals, staff and consultants.

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

Business Strategy

Centric Health is pursuing a strategy of expansion and growth through mergers and accretive acquisitions as well as from organic growth opportunities. Centric Health'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 stakeholder 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 earned for the three months ended March 31, 2012 by province is denoted below.



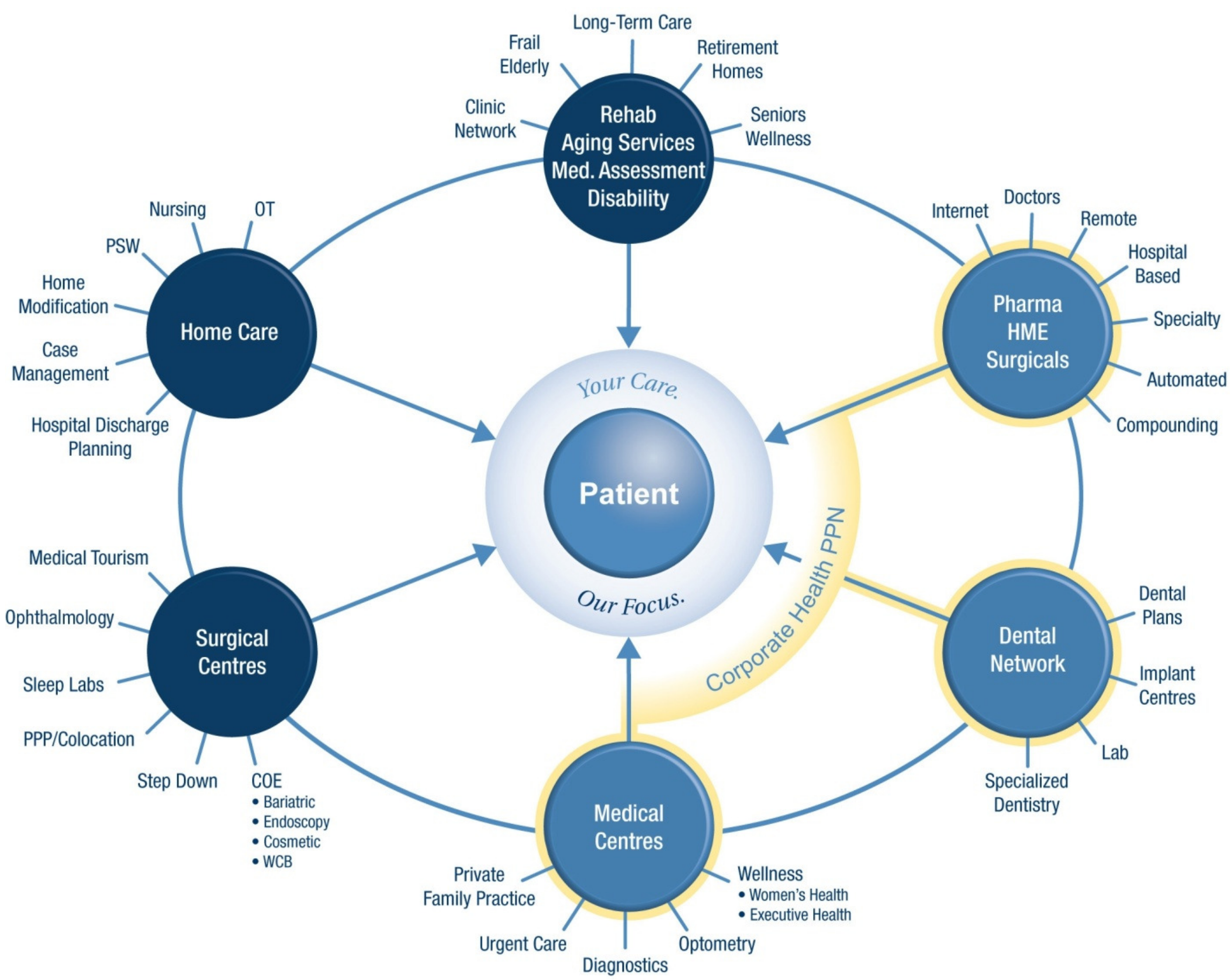
Centric Health has a strategic focus to differentiate its services and product offerings by partnering with healthcare professionals and employees to achieve clinical excellence with a focus on the highest standards of care. One of the objectives of the prospectus supplement to the base shelf prospectus was 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, understand and are passionate about. 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.

On February 13, 2012, the Company announced that it had completed the acquisition of Motion Specialties. Motion Specialties meaningfully expands 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.

Throughout the first quarter of 2012, the Company also completed the acquisition of five physiotherapy businesses in Ontario and British Columbia. With these acquisitions, the Company now operates approximately 150 physiotherapy clinics in 7 provinces.

The Company's performance for the three months ended March 31, 2012 reflects the addition of Motion Specialties and the five physiotherapy operations from their dates of acquisition. It is expected that organic growth, as well as rationalization opportunities resulting in reduced corporate and operating costs will be realized over the next several quarters. Efficiencies have begun to be realized through consolidation of premises and facilitating centralization of support services and staff. These initiatives 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 is illustrated through the diagram below.

<u>Diversified Healthcare Portfolio Strategy</u>



Accreditation

The Company has a significant commitment to patient care and quality outcomes. A major component of the Company's commitment to quality is its voluntary participation in the Accreditation Programs offered by the Commission on Accreditation of Rehabilitation Facilities ("CARF") and the Canadian Physiotherapy Association ("CPA").

Accreditation is an extensive external review process, which involves evaluating the Company's level of conformance to rigorous standards in the areas of leadership, ethics, safety, human resource management, business practices, patient care and measurement of the results of the Company's care and service.

The Company's physiotherapy clinics across Canada maintain a Four - Year Accreditation with Commendation with the CPA. This means that the Company has achieved 100% substantial compliance for all standards with a strong indication that many of the criteria have been exceeded. There is clear evidence of a strong organization-wide commitment to continuous quality improvement and client-centred care. In addition, information, financial records and the rights of clients and personnel are safeguarded.

The Company's seniors wellness operations, the Company's interdisciplinary centres in BC, Alberta and Nova Scotia as well as the Company's physiotherapy clinic clinics in Ontario, New Brunswick and Nova Scotia also maintain a Three -Year Accreditation with the CARF.

CARF-accredited programs and services have demonstrated that they substantially meet internationally recognized standards. The Company believes that the accreditation seal of achievement assures customers that the Company meets or exceeds independent, nationally and internationally recognized standards for excellence in business practices and clinical service.

Business Outlook

The Company had an improved first quarter of 2012 and anticipates that it can maintain and build on these results for the balance of 2012 and beyond. The Company continues to focus on the effective integration of acquisitions and driving synergies across its various operations. The Company's focus for the balance of 2012 will be to continue developing leverage and cross-selling opportunities in order to drive revenue and income growth. The Company has initiated several special projects to achieve revenue and income growth, economies of scale and rationalization benefits going forward. These special projects include consolidated purchasing, undertaking a company-wide branding strategy, systems integration initiatives, focused working capital management, centralization of operational support services to achieve economies of scale and directed cross selling and new service initiatives across various operating segments. The Company continues to focus on cost savings through the integration of acquisitions which is leading to a reduction in operational redundancies. In the second quarter of 2012, the Company will focus on the integration of Motion Specialties into the Company's centralized operational support services. As reported in the MD&A in the third quarter of 2011, the Company anticipates that its rationalization and integration activities will result in $5,500 in savings. The Company realized some of these efficiencies in the first quarter of 2012 and expects the full financial impact of these efforts will be realized over the medium term.

Physiotherapy

The Company completed the acquisition of five physiotherapy operations in the first quarter of 2012 and is focused on growth in the physiotherapy segment through the acquisition of additional clinics that will be accretive to income and complimentary to the Company's national network. The Company is also focused on extracting further efficiencies through the continued integration of LifeMark Health Partnership's ("LifeMark") eldercare operations with the Company's legacy operations. Seasonality factors can cause revenues from clinics in the physiotherapy segment to be higher in the second and fourth quarters of the calendar year as compared to the first and third quarters. The Company is also commencing a retail initiative within its physiotherapy clinics which should further grow the revenue and income of these operations.

Pharmacy

Revenues and EBITDA for the Company's pharmacy operations are expected to increase for the balance of 2012 as compared to 2011 due to organic growth through tenders for contracts, retail initiatives and maximizing the utilization of existing infrastructure. This segment will have the benefit of full year results from the acquisitions of Dedicated National Pharmacies Inc. ("DNP") and Classic Care Pharmacy Corporation ("Classic Care") which were acquired in August 2011 and November 2011, respectively.

Surgical and Medical

The surgical and medical operations of the Company also have strong prospects for the last two quarters of 2012. Under the direction of the Company's Medical Director for Surgical Centres, Dr. Glenn Copeland, the Company is expected to launch its first Surgical Centre of Excellence in 2012. This initiative will partner the Company with some of the country's leading surgical specialists.

Assessments

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 and the first quarter of 2012 to reduce fixed costs and "right size" the business. In the first quarter of 2012, the Company continued to consolidate its operations in Ontario into fewer assessment centres in order to reduce excess overhead costs. Revenue for this segment is anticipated to be $12 million to $15 million lower on a pro forma basis in 2012 as compared to 2011. The Company 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.

Retail and Home Medical

The Company's retail and home medical equipment operations look to continue their growth in upcoming quarters with the integration of Motion Specialties. The acquisition of Motion Specialties has not only expanded the Company's retail footprint in Canada, it also provides the Company with exciting synergy opportunities with the Company's existing MEDIchair operations, in addition to potential cross-selling initiatives with the Company's other operations. The Company is looking to open new Motion Specialties locations in 2012 and by the end of 2012, the Company anticipates that its orthotics operations will have expanded into 30 additional outlets.

Segment Overview

Physiotherapy

The physiotherapy segment is comprised of: a physiotherapy clinic network, approximately 150 physiotherapy 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 450 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

The Company has developed a retail and niche pharmacy network of 18 pharmacies that service 34 treatment centres and pharmaceutical dispensing operations that service over 200 long-term care facilities with over 16,000 residents. This segment is comprised of Classic Care which provides pharmaceutical dispensing, delivery and consulting services to over 200 long-term care homes and DNP that services 34 addiction treatment centres across Ontario from its facilities The Company's script count is over 500,000 scripts per month.

Surgical and Medical Centres

The Company has 7 Surgical and Medical Centres across Canada with a total of 19 operating rooms and 86 beds. The segment is comprised of the operations of the Don Mills Surgical Unit in Toronto, Ontario, Blue Water's three locations in Sarnia, Windsor and London, Ontario, London Scoping Centre in London, Ontario, False Creek Health Centre in Vancouver, British Columbia, Canadian Surgical Solutions ("CSS") in Calgary, Alberta and Maples Surgical Centre in Winnipeg, Manitoba.

The Company's surgical centres offer full primary care, emergency care, diagnostic services, including CT and MRI scan capabilities. Surgical specialties include plastic, reconstructive, cosmetic, orthopedic, gynecology, urology, neurosurgery, bariatric, endoscopic and otolaryngology. The Company's customers included Workers Compensation Boards, regional health authorities, non-residents, private patients and various governmental agencies. The Company also operates a sleep clinic from its Don Mills Surgical Unit.

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 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 the Company's increased national presence as well as the Company's focus on efficiencies and cost savings in operations. In the first quarter of 2012, the Company saw some positive signs as referrals increased on a month over month basis for the first time since regulatory reform was introduced in the fall of 2010.

Retail and Home Medical Equipment

The Company diversified its services into retail and home medical equipment in 2011 and currently has over 140 retail and home medical 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 February 2012, the Company further expanded its home medical equipment services through the acquisition of Motion Specialties and its 24 locations across Canada. Motion Specialties is a leading home health care provider offering a wide range of mobility devices, including: wheelchairs, scooters, walkers, bathroom safety equipment, portable oxygen, CPAP machines, and home accessibility products such as stair lifts and home elevators.

(in thousands of dollars, except share amounts)

Selected Financial Information

The following selected financial information for the three months ended March 31, 2012, and 2011, has been derived from the condensed unaudited interim consolidated financial statements for three months ended March 31, 2012 and 2011, 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.

	Three months ended March 31,		
	2012	2011	
	$	$	% Change
Revenue	**104,253**	23,035	353%
Income from operations	**5,463**	1,749	212%
% of revenue	**5.2%**	7.6%	NM
Income (loss) before interest expense and income taxes	**694**	(1,397)	NM
EBITDA [2]	**7,967**	(535)	NM
Adjusted EBITDA[3]	**11,696**	2,196	356%
Per share - basic ($)	**$ 0.11**	$ 0.03	267%
Per share – diluted ($)	**$ 0.09**	$ 0.03	200%
Adjusted EBITDA margin	**11.2%**	9.5%	
Income tax expense	**275**	370	NM
Net loss	**(4,651)**	**(2,404)**	(91%)
Per share ($) – basic	**$ (0.04)**	$ (0.03)	NM
Per share ($) – diluted	**$ (0.04)**	$ (0.03)	NM
Weighted average shares outstanding [4]	**105,839**	77,198	NM
Shares outstanding March 31, [4]	**112,447**	80,443	NM

[2] EBITDA includes a non-cash loss of $1,402 (2011 - $1,784) arising from the change in fair value of non-cash contingent consideration and transaction and restructuring costs of $2,327 (2011 - $947)

[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

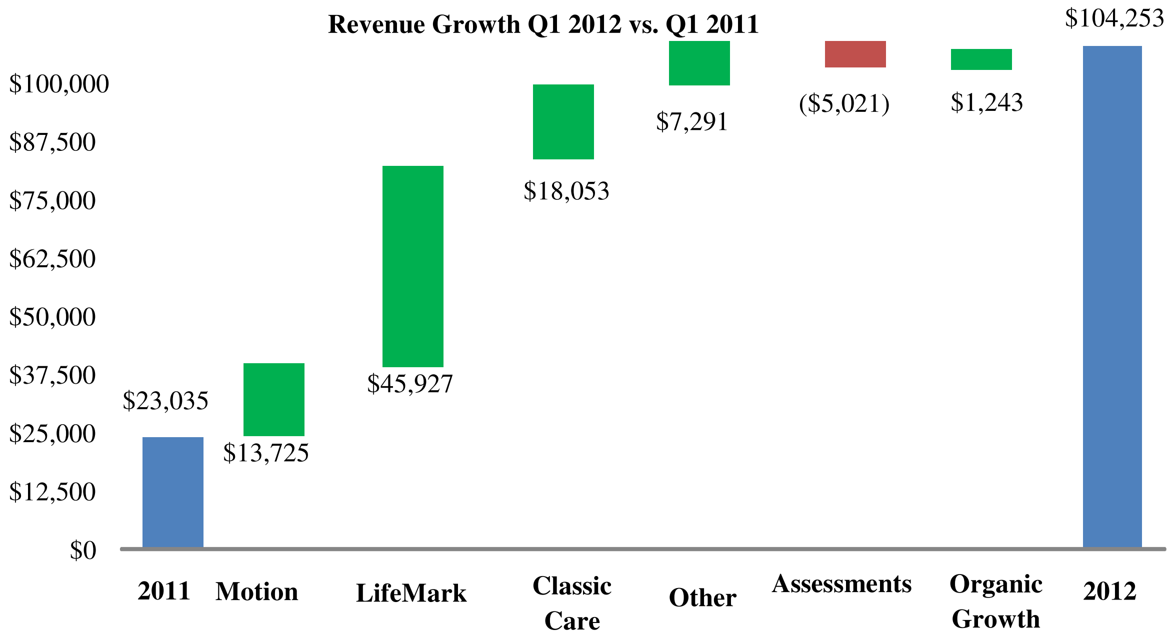
The Company defines EBITDA as earnings before depreciation and amortization, interest expense, change in fair value of derivative financial instruments, loss on disposal of property and equipment, stock based compensation and income taxes. Adjusted EBITDA is defined as EBITDA before transaction costs 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.

	Three months ended March 31,	
	2012	2011
	$	$
Net loss	**(4,651)**	(2,404)
Depreciation and amortization	**6,233**	447
Interest expense	**5,070**	637
Change in fair value of derivative financial instruments	**(152)**	-
Loss on disposal of property and equipment	**44**	-
Stock-based compensation	**1,148**	415
Income taxes	**275**	370
EBITDA	**7,967**	(535)
Transaction and restructuring costs	**2,327**	947
Change in fair value of contingent consideration liability	**1,402**	1,784
Adjusted EBITDA	**11,696**	2,196
Basic weighted average number of shares	**105,839**	77,198
Adjusted EBITDA per share (basic)	**$ 0.11**	$ 0.03
Fully diluted weighted average number of shares	**126,105**	95,224
Adjusted EBITDA per share (diluted)	**$ 0.09**	$ 0.03

Results of Consolidated Operations

Revenues

The Company's revenue for the three months ended March 31, 2012, increased by $81,218 to $104,253 as compared to the three months ended March 31, 2011. The increase was due mainly to growth from acquisitions. Revenue growth in this quarter from acquisitions completed after March 31, 2011 include $13,725 from Motion Specialties, $45,927 from LifeMark, $18,053 from Classic Care and $7,291 from other acquisitions including DNP, BWC and Performance Medical Group. The balance of the revenue increase of $1,243 can be attributed to organic growth, synergies resulting from acquisitions and growth strategies. This is net of a decline of $5,021 in assessment revenues due to changes in government regulations in the assessments sector.



Physiotherapy revenue of $45,125 in the first quarter of 2012 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 $23,300 for the three months ended March 31, 2012 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.

Surgical and Medical revenues of $8,546 for the current quarter 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 $10,124 in the first quarter of 2012 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 assessment facilities.

Retail and home medical equipment revenue of $17,158 for the three months ended March 31, 2012 is derived from sales of orthotics by the Performance Medical Group, through retail sales by MEDIchair and Motion Specialties corporate-owned stores and from royalties earned through MEDIchair franchisees. The results of Motion Specialties were only included for the first quarter of 2012 from the date of acquisition of February 13, 2012 to the end of the quarter. Revenue from Motion Specialties represented approximately 80% of the revenue for the retail and home medical equipment segment despite their results not representing a full quarter of earnings. The operations of the Company's retail and home medical equipment segment did not commence until the second quarter of 2011 and therefore there is no comparative information for the three month period ended March 31, 2012.

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.

Most of the Company's costs have increased between the first quarter of 2011 and the first quarter of 2012 due to the seven notable acquisitions that the Company has completed since March 31, 2011. Cost of healthcare services and supplies for the period ended March 31, 2012, was $53,408 compared to $14,107 in the same three month period in the prior year. Employee costs include salaries and benefits of employees working directly in each business segment. For the period ended March 31, 2012, employee costs were $21,479 compared to $3,340 for the same period 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 period ended March 31, 2012, were $13,568 compared to $1,848 in the comparable period in the 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 three months ended March 31, 2012, were $4,102, compared to $1,544 for the three months ended March 31, 2011. 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 $5,786 from $447 for the three months ended March 31, 2011 to $6,233 for the three months ended March 31, 2012. The majority of this increase is a result of the amortization of intangible assets recognized in the determination of identifiable assets from the Company's acquisitions after March 31, 2011. The amortization of intangible assets was $4,612 for the current period. 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 three months ended March 31, 2012, 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 $5,463 or 5.2% of revenues. For the three months ended March 31, 2011, income from operations was $1,749 or 7.6% of revenues. As a percentage of revenue, income from operations decreased from the same period in the prior year due to increased amortization expense from intangible assets recognized from 2011 acquisitions. It is the Company's expectation that income from operations will improve in the future through the continued implementation of cost-savings initiatives at the operational and corporate levels. The adjusted EBITDA for the three months ended March 31, 2012 was $11,696 as compared to $2,196 for the three months ended March 31, 2011. Adjusted EBITDA represented approximately 11.2% of revenue for the three months ended March 31, 2012 as compared to approximately 9.5% for the same period in the prior year.

Stock-based compensation, a non-cash expense, increased by $733, to $1,148, for the three months ended March 31, 2012. This increase is due 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 the current period relative to the prior period.

Interest expense for the three months ended March 31, 2012, increased by $4,433 to $5,070. 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 acquisitions, the convertible debt issued in December 2011 and February 2012 and the amortization of an interest rate swaps which do not qualify for hedge accounting treatment.

(in thousands of dollars, except share amounts)

	Three months ended March 31, 2012 $	2011 $
Interest on long-term loan and revolving facilities	**2,608**	133
Amortization of loan arrangement fees	**390**	74
Interest on related party debt	**75**	160
Accretion of related party discounts	**99**	220
Interest on capital leases	**29**	64
Amortization of deferred loss on interest rate swap	**-**	17
Interest on convertible debt	**163**	-
Accretion on convertible debt	**46**	-
Interest expense before distributions for preferred partnership units	**3,410**	668
Distributions for preferred partnership units	**1,688**	
Total interest expense	**5,098**	
Interest income	**28**	31
Net interest expense	**5,070**	637
Change in fair value of derivative financial instruments	**(152)**	-
Total interest and interest-related expenses	**4,918**	637

Transaction and restructuring costs increased by $1,380 to $2,327 for the three months ended March 31, 2012 as compared to the same period in the prior year. This increase is a result of the Company completing the acquisition of Motion Specialties and five physiotherapy clinic operations during the first quarter of 2012 as compared to only the acquisition of Surgical Spaces Inc. ("SSI") in the first quarter of 2011. In addition, the Company incurred restructuring costs related to the announced departure of the Company's former CEO in the first quarter of 2012.

For the three months ended March 31, 2012, the Company recognized a loss on the fair value of its contingent consideration liabilities of $1,402, as compared to a loss of $1,784 for the same period 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 and in the first quarter of 2012 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 included in the statement of income. The Company's largest contingent liability relates to the acquisition of LifeMark which has been valued at $36,315 at March 31, 2012. LifeMark achieving its performance target has been estimated at a probability of 50% to 70% as a result of the Company comparing 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 significant acquisitions is outlined in the table below:

Acquisition	Effective Date of Acquisition	Earn-out Period	Warranted EBITDA (Average over earn-out period)	Escrowed Shares	Estimated Probability of Achieving Performance Targets
LifeMark	June 9, 2011	1 year	$29,200*	48,750,000	Common Shares – 50% to 70%
BWC	August 17, 2011	3 years	$4,650	6,828,846	Common Shares – 50% - 70% Warrants – 10%
Classic Care	November 17, 2011	1 year	$6,670	2,810,094	Common Shares – 100% Warrants – 25%
Performance Medical Group** (75% ownership)	December 8, 2011	2 years	$2,750	3,000,000	Common Shares – 85% - 100% Warrants – 10%
Motion Specialties**	February 13, 2012	3 years	$10,000	9,004,641	Cash and Common Shares – 80% - 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.

On February 28, 2012, the Company issued 10,127,956 of common shares that had been held in escrow to the SSI vendors as SSI achieved certain performance metrics as specified in the purchase agreement for this transaction. The remaining 1,700,000 common shares held in escrow for the vendors of SSI were cancelled. There were no warrants for outperformance that were issued to the vendors of SSI.

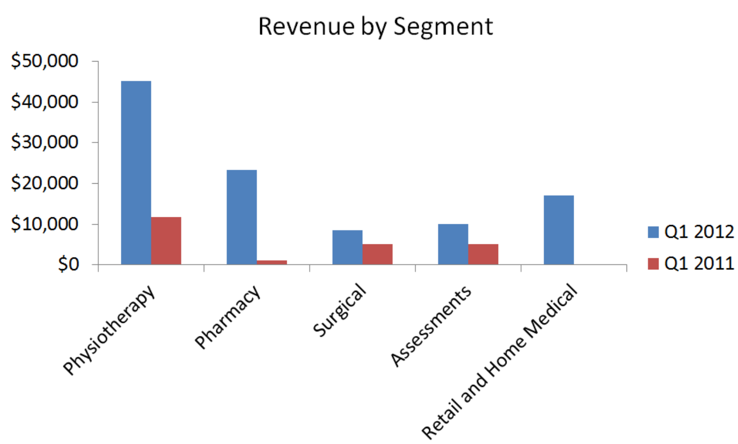
Income tax expense was comparable between the first quarters of the current year and prior year. Income tax expense is calculated at the statutory rate of approximately 25% and is applied on income before taxes adjusted for items that adjust income for tax purposes, primarily stock-based compensation, changes in fair value of contingent consideration, transaction costs, losses carried forward, capital cost allowances and eligible capital deductions.

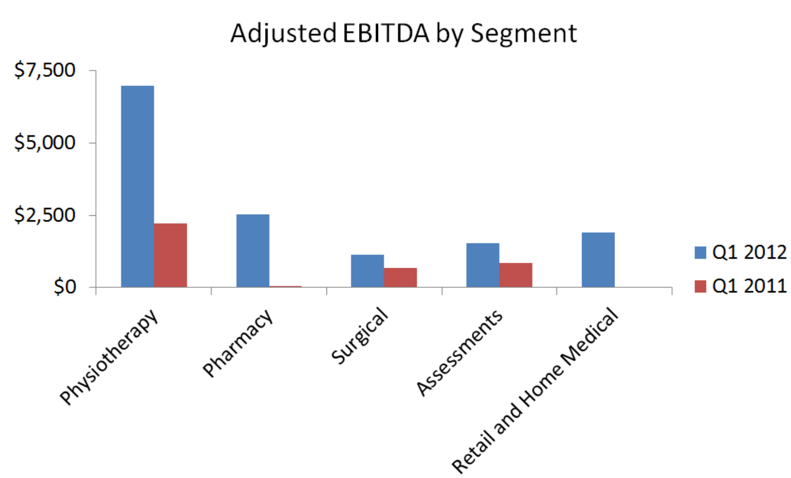
(in thousands of dollars, except share amounts)

Results of Segmented Operations

This section presents the results of operations for the three months ended March 31, 2012 and 2011 for the various operating segments of the Company. Operating segments, as reported to the Chief Operating Decision Makers ("CODM") are as follows: Physiotherapy, Pharmacy, Surgical and Medical Centres, Assessments, and Retail and Home Medical Equipment.

Three months ended March 31,	**Revenue**		**Adjusted EBITDA**	
	2012	2011	**2012**	2011
	$	$	**$**	$
Physiotherapy	**45,125**	11,743	**6,974**	2,205
Pharmacy	**23,300**	1,078	**2,530**	43
Surgical and Medical Centres	**8,546**	5,140	**1,135**	671
Assessments	**10,124**	5,074	**1,521**	864
Retail and Home Medical Equipment	**17,158**	-	**1,917**	-
Corporate	**-**	-	**(2,381)**	(1,587)
Total	**104,253**	23,035	**11,696**	2,196





Physiotherapy

Revenue for the physiotherapy segment increased by $33,382 or 284% to $45,125 as compared to the same three month period in the prior year. Of this growth, $33,087 is attributable to revenue from the acquired LifeMark operations, including its seniors' wellness division and the operations of over 100 clinics. The Company added 12,174 beds 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.

Adjusted EBITDA increased from $2,205 for the three months ended March 31, 2011 to $6,974 for the three months ended March 31, 2012. Adjusted EBITDA as a percentage of revenue decreased from 19% for the three months ended March 31, 2011 to 15% in the current quarter due to the addition of LifeMark physiotherapy clinics to the Company as these operations have lower margins than the Company's legacy operations. In addition, there were higher than anticipated clinical human resources costs for certain physiotherapy clinics that commenced operations during 2011.

Pharmacy

Pharmacy revenues increased from $1,078 for the first quarter of 2011 to $23,300 for the first quarter of 2012. 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 acquisitions of DNP and Classic Care added $4,485 and $18,053 in revenue for the three months ended March 31, 2012. The Company's pharmacy operations continue to pursue revenue-generating and diversification strategies to improve its performance.

Adjusted EBITDA increased by $2,487 to $2,530 between the first quarter of 2011 and the first quarter of 2012. 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 for the three months ended March 31, 2012 was $8,546 as compared to $5,140 for the same period in 2011. This revenue increase from the same period in the prior year is a result of 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 three months ended March 31, 2012, CSS contributed $1,364 and BWC contributed $1,979 to the increased revenue from the surgical and medical centres. Approximately 72% of the Company's revenue in the surgical and medical centres segment comes from the Company's SSI and CSS operations in Western Canada.

Adjusted EBITDA increased from $671 for the three months ended March 31, 2011 to $1,135 for the three months ended March 31, 2012. This can be attributed to the two acquisitions in this segment subsequent to March 31, 2011.

Assessments

Revenue increased by $10,124 or 96% and from the three months ended March 31, 2011 to the three months ended March 31, 2012. This increase in revenue is due to the acquisition of LifeMark. Adjusted EBITDA increased from $864 for the three months ended March 31, 2011 to $1,521 for the three months ended March 31, 2012. Adjusted EBITDA as a percentage of revenue declined on a period over period basis at 17% for the first quarter of 2011 and 15% for the first quarter of 2012. The Company continues to re-engineering and reduce its costs in response to regulatory reforms in the assessments segment.

Referrals from auto insurers had been in a continuous decline as a result of regulatory reform in this segment, however an increase in referrals took place in March 2012. 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 Company has critical mass in the national market, providing greater diversification within the auto insurance industry, offering multiple disciplines within our current assessor roster and being staffed with professionals that 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 was a new segment for the Company commencing in the second quarter of 2011. This segment comprises the operations of Motion Specialties, MEDIchair and Performance Medical Group. On February 13, 2012, the Company completed its acquisition of Motion Specialties, which increased the Company's national presence in the home health care sector. 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. 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 primarily from the MOHLTC, other government agencies, employers and insurance companies. These receivables totaled $65,337 at March 31, 2012. 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 is focused on managing its cash flows and is seeking to better align supplier payment terms with its cash collections cycle from government agencies and insurance companies.

The Company has a 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 March 31, 2012, total $13,125. In addition to the Term Loan, the syndicate has also provided the Company with a Revolving Facility with a limit of $35,000, inclusive of $5,000 swing line availability, at a variable rate based on prime. The Company also had additional borrowing capacity in terms of a pre-arranged accordion of $40,000 to be made available under its Revolving Facility, for acquisitions. During the three months ended March 31, 2012, the Company used the accordion as part of its acquisition of Motion Specialties and as such currently has a borrowing limit of $75,000 under the Revolving Facility. The Revolving Facility has a term of four years and accrues interest at variable rates based on prime. At March 31, 2012, the Company had borrowed $151,875 against the Term Loan and $62,622 against the Revolving Facility. The Company has made principal repayments of $3,125 against the Term Loan in the three months ended March 31, 2012. 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 March 31, 2012. As required under IFRS, the Company has presented its net Term Loan balance of $146,068 and Revolving Facility balance of $62,622 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 March 31, 2012.

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. On May 8, 2012, the Company completed a private placement for $15,000 in convertible notes. The proceeds from this private placement have been used to reduce the Company's Term Loan. On May 10, 2012, the Company amended its lending agreement in order to revise certain financial performance covenants. These revised covenants are based on the Company's approved operating budget and provide the Company with greater financing flexibility. Based on these measures and the Company continuing to meet its current budget, the Company expects to be in compliance with its financial performance covenants for the balance of 2012 and subsequent periods. The Company expects that in future quarters that its Term Loan and Revolving Facility will be presented as a long-term liability, except for amounts which are due within one year in accordance with the Company's existing repayment schedule.

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.

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. 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 pursuing initiatives to reduce its senior debt levels through improved cash flow and may undertake equity financings from time to time subject to favorable market conditions. 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's target in the medium term of 18 to 24 months is to maintain a debt to EBITDA level between 2.75 and 3.25. 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 from more than 180 participants.

Cash flow activities for the three months ended March 31, 2012 were as follows:

Operating Activities

For the three months ended March 31, 2012, cash used by operating activities was $10,903, compared to $1,821 used by operating activities for the same period in 2011. Included in operating activities are transaction costs incurred of $2,327 for the three months ended March 31, 2012. Cash used by operating activities, exclusive of transaction and restructuring costs, is $8,576 for the three months ended March 31, 2012.

Non-cash working capital used in operations was $17,684 for the three months ended March 31, 2012, versus $2,926 for the three months ended March 31, 2011. The Company undertook a strategic initiative in the first quarter of 2012 to negotiate more favorable terms with certain suppliers in the retail and home medical equipment segment. As a part of this initiative, the Company paid down its amounts owing to these suppliers on a more rapid basis this quarter.

Investing Activities

For the three months ended March 31, 2012, the Company used $19,528 for investing activities as compared to $7,982 for the three months ended March 31, 2012. The Company used $17,535 for the acquisitions of businesses which is consistent with the Company's growth strategy. The cash consideration component of acquisitions completed in the first quarter of 2012 included $14,875 for Motion Specialties and $2,660 for the acquisition of five physiotherapy businesses.

The purchase of property and equipment for the three months ended March 31, 2012 was $1,458 as compared to $305 for the same period in the prior year. The Company also entered into $188 of new capital leases for surgical equipment during the first quarter of 2012.

Financing Activities

During the three months ended March 31, 2012, the Company made scheduled repayments of $3,125 towards its Term Loan. The Company borrowed an additional $35,734 during the three months ended March 31, 2012. Of these additional borrowings, $17,535 was used for business acquisitions completed in the first quarter of 2012. The Company paid $4,563 in cash interest on its borrowings for the three months ended March 31, 2012.

During the three months ended March 31, 2012 the Company received net proceeds of $2,745 in cash for the issuance of shares through the February 2012 second closing of the public placement and through the exercise of stock options. The public placement provided the holder with common shares and convertible debt of the Company.

Equity

As at March 31, 2012, the Company had total shares outstanding of 182,152,586. The outstanding shares include 69,106,081 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 former CEO which vest over time as discussed in Note 19 to the Company’s condensed unaudited interim consolidated financial statements for the three months ended March 31, 2012. These restricted shares were cancelled on May 8, 2012. 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 112,446,505 common shares outstanding as at March 31, 2012 and 98,220,254 shares outstanding at December 31, 2011.

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, on February 28, 2012, 10,127,956 shares of the 11,827,956 SSI escrowed shares were released from escrow to the SSI vendors. The remaining 1,700,000 shares in escrow were cancelled. In addition, the vendors of SSI did not earn any outperformance warrants.

The Company issued 3,597,632 freely tradable common shares to the vendors of acquired businesses in the first quarter of 2012.

For the three month period ended March 31, 2012, option holders exercised 37,500 options to purchase an equivalent number of shares at a weighted average exercise price per share of $0.42. As at March 31, 2012, there were a total of 11,318,000 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 March 31, 2012, was 2,258,334 with a weighted average exercise price of $0.68.

As at March 31, 2012, there were 23,744,363 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 three months ended March 31, 2012, 463,163 warrants were issued in conjunction with the February 2012 public offering with an exercise price of $1.66 and which expire on February 22, 2017.

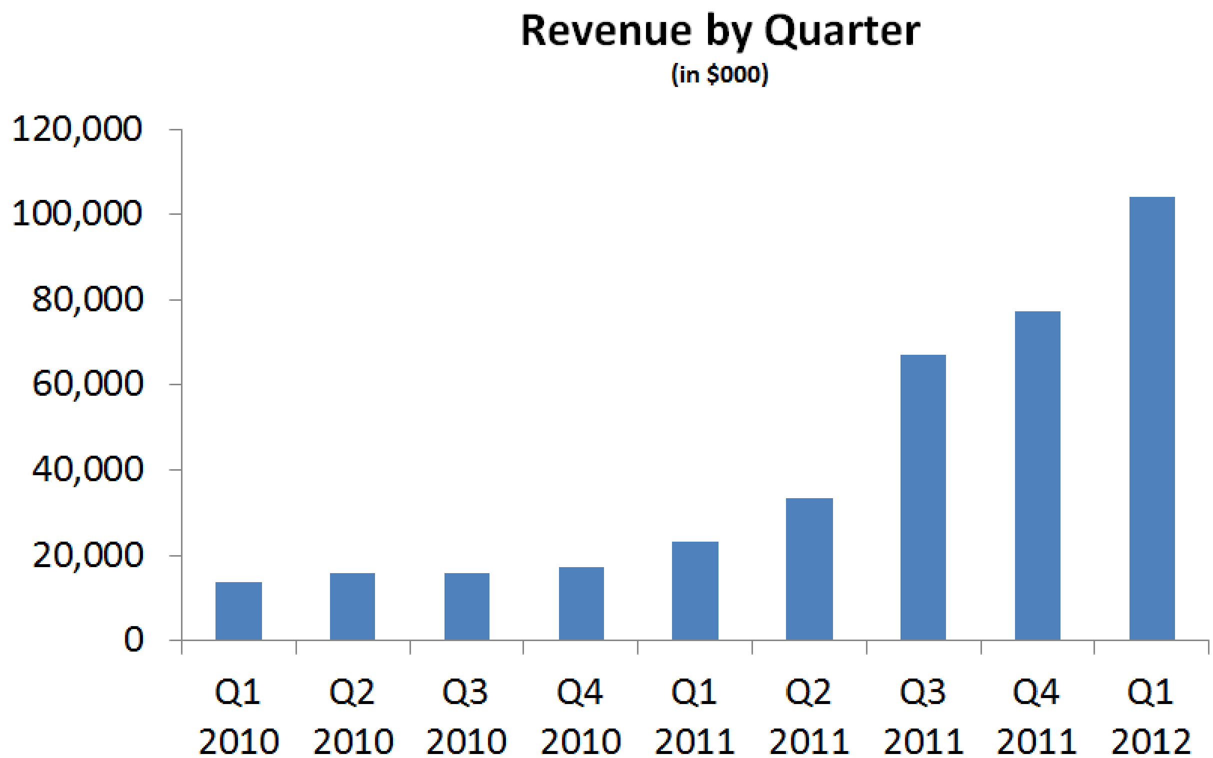
As at the date of this report, May 14, 2012, the number of shares outstanding, including restricted and escrowed shares, is 181,402,363; the number of options outstanding is 13,193,000; and, the number of warrants outstanding is 27,794,363. Included in the shares outstanding are 69,208,354 shares held 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 2012				
Revenue and other income				$ 104,253
Adjusted EBITDA				$ 11,696
Adjusted EBITDA per share				
Basic				$ 0.11
Diluted				$ 0.09
Net loss				$ (4,651)[2]
Loss per share				
Basic				$ (0.04)
Diluted				$ (0.04)
Fiscal year 2011[3]				
Revenue and other income	$ 77,265	$ 67,096	$ 33,596	$ 23,035
Adjusted EBITDA	$ 6,271	$ 9,698	$ 3,219	$ 2,196
Adjusted EBITDA per share				
Basic	$ 0.07	$ 0.12	$ 0.03	$ 0.03
Diluted	$ 0.06	$ 0.09	$ 0.03	$ 0.03
Net (loss) income	$ (57,555)[4]	$ 38,889[5]	$ 11,722[6]	$ (2,404)[7]
(Loss) income per share				
Basic	$ (0.63)	$ 0.47	$ 0.15	$ (0.03)
Diluted	$ (0.63)	$ 0.37	$ 0.11	$ (0.03)
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	$ 0.03	$ 0.04	$ 0.04	$ 0.03
Diluted	$ 0.02	$ 0.03	$ 0.04	$ 0.03
Net (loss) income	$ (592)[8]	$ 951	$ 1,037	$ 865
(Loss) income per share				
Basic	$ (0.01)	$ 0.02	$ 0.02	$ 0.01
Diluted	$ (0.01)	$ 0.01	$ 0.02	$ 0.01

[2] The net loss for the quarter ended March 31, 2012 includes $1,402 as a non-cash charge to net income representing the increase in fair value of the contingent consideration liability and $2,327 of transaction and restructuring costs related to business acquisitions.
3 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.
[4] The net income for the quarter ended September 30, 2011 includes a non-cash gain of $39,374 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 September 30, 2011 includes a non-cash gain of $39,374 representing the decrease in fair value of the contingent consideration liability and $873 of transaction and restructuring costs related to business acquisitions.
[6] The net income for the quarter ended June 30, 2011 includes a non-cash gain of $14,751 representing the decrease in fair value of the contingent consideration liability and $2,734 of transaction and restructuring costs related to business acquisitions.
[7] The net income for the quarter ended March 31, 2011 includes $1,784 as a non-cash 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.
[8] The net income for the quarter ended December 31, 2010 includes $266 as a non-cash 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 six 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 353% from the first quarter of 2011 to the first quarter of 2012. 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 Company's adjusted EBITDA margin improved from 8% for the three months ended December 31, 2011 to 11% for the three months ended March 31, 2012. This improvement is reflective of the right-sizing efforts the Company undertook in the fourth quarter of 2012.

The volatility in net income (loss) in the first quarter of 2012 and 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. Transaction costs over the past five quarters have been $2,327, $3,627, $873, $2,734 and $947. Under previous Canadian GAAP, these costs were allocated to the cost of assets acquired or recorded as deferred charges on the Canadian GAAP balance sheet. These transaction costs are reflective of the Company's significant acquisition activities during 2011 and 2012.

The Company is required to value the contingent consideration liabilities pursuant to its business combination activities. In the first quarter of 2012 and 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 included in the statement of income. The change in fair value of contingent consideration for the last six quarters have fluctuated from non-cash gains of $1,402, $16,297, $39,374 and $14,751 for the three month periods ended March 31, 2012, December 31, 2011, September 30, 2011 and June 30, 2011, respectively, to non-cash losses of $1,784 and $266 for the three months ended March 31, 2011 and December 31, 2010, respectively. In the fourth quarter of 2011, 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.

(in thousands of dollars, except share amounts)

The Company's Adjusted EBITDA increased by $5,425 to $11,696 from the fourth quarter of 2011 to the first quarter of 2012. This increase can mainly be attributed to the accretive earnings from Motion Specialties of $1,132 from the date of its acquisition on February 13, 2012 as well as the earnings of Classic Care and Performance Medical Group for a full quarter as these acquisitions took place during the fourth quarter of 2012, ongoing organic growth, and the benefit of cost rationalization plans that were implemented in the third and fourth quarters of 2011.

Contractual Commitments

The Company's contractual commitments at March 31, 2012, are as follows:

	Total	1 year	2-3 years	4-5 years	Thereafter
Term loan	$ 151,875	$ 13,125	$ 28,750	$ 110,000	$ -
Revolving facility	62,622	-	-	62,622	-
Operating leases	38,233	10,493	22,856	4,885	-
Preferred partnership units	65,500	-	-	-	65,500
Interest payments on borrowings	25,387	7,425	14,850	3,112	-
Finance leases	2,288	1,865	423	-	-
Total	$ 345,905	$ 32,908	$ 66,879	$ 180,619	$ 65,500

The Term Loan and Revolving Facility have 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.

The Company has $5,000 in convertible debt with a related party and $7,969 in convertible debt from a public offering which the Company can settle in common shares of the Company.

In the normal course of business, the Company enters into significant commitments for the purchase of goods and services, such as the purchase of inventory, most of which are short-term in nature and are settled under normal trade terms.

Off-Balance Sheet Arrangements

As at March 31, 2012, 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 March 31, 2012, 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 The Company has limited the scope of its design of DC&P and ICFR to exclude controls, policies and procedures of LifeMark, DNP, BWC, Classic Care, Performance Medical Group and Motion Specialties which were acquired in the twelve month period ended March 31, 2012. These acquired companies represent 82% of the Company's revenues for the three months ended March 31, 2012.

It should be noted that while the Company's Certifying Officers believe that the Company's DC&P provides 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.

ICFR is 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.

There have been no significant changes to the Company's ICFR over the three month period ended March 31, 2012, except for the acquisition of Motion Specialties, which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

(in thousands of dollars, except share amounts)

Transactions with Related Parties

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 in aggregate own 35,598,976 shares or approximately 20% of the issued and outstanding common shares of the Company as of March 31, 2012. This ownership percentage disclosed assumes issuance of 69,706,081 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 three month periods ended March 31, 2012 and 2011, is as follows:

	Three months ended March 31, $	
	2012	2011
GHIS fees		
Completion fees	**150**	137
Advisory fees	**300**	240
Market capitalization fee	**-**	429
Total fees earned by GHIS in the period	**450**	806
GHIS travel and related expenses	**22**	68
Interest incurred on Jamon loans	**75**	92
	547	966

During the three months March 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.

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 independent members of the Board of Directors. This new agreement was 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.

Included in trade and other payables at March 31, 2012 and December 31, 2011 are $4,524 and $4,785, respectively, due to GHIS; and $- and $226, respectively for interest payable to Jamon. Of the amounts due to GHIS, $4,200 is only due and payable when the Company meets the conditions set out in the Credit Agreement between the Company and its lenders.

At December 31, 2011, GHIS had 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. Subsequent to March 31, 2012, entities controlled by the shareholders of GHIS were participants in a private placement which raised $15,000 which was used to pay down the Company's Term Loan. On May 11, 2012, the Company notified GHIS that their letter of support for 2012 was no longer required and was terminated.

Related party loan

The Company has a promissory note with Jamon for $5,000 that bears interest at 6% with a conversion feature of one share per one dollar of principal amount and is due November 9, 2013.

Proposed Transactions

As of May 14, 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 collectability of receivables, 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 March 31, 2012 and December 31, 2011 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

The Company did not adopt any changes in accounting policies for the three months ended March 31, 2012. The Company's accounting policies are disclosed in note 4 of the annual consolidated financial statements for the years ended December 31, 2011 and 2010.

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, delisting of services, 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 12% of its revenues for the three months ended March 31, 2012 (March 31, 2011 – 36%) 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

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 the Company, 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.

Subsequent Events

Effective April 30, 2012, Mr. Daniel Carriere stepped down as President and Chief Executive Officer of the Company to pursue other interests. Mr. Carriere remains as a Non-Executive Director of the Company until the next annual general meeting of the Company. On May 8, 2012, the Company cancelled 1,200,000 common shares that were previously issued to the Company's former CEO and then issued 450,000 common shares of the Company to the former CEO. As at March 31, 2012, 600,000 of the cancelled common shares were restricted shares. Effective April 30, 2012, Dr. Jack Shevel, Executive Chairman of the Company, assumed the role of interim President and Chief Executive Officer until a replacement has been appointed.

On May 8, 2012, the Company completed a private placement of $15,000 of subordinated unsecured convertible notes. The notes bear interest at 5.50% per annum, payable semi-annually and mature on April 30, 2016. Each note is convertible into common shares of the Company at the option of the holder at a strike price of $0.93 representing 110% of the five day weighted average share price for the five pay period prior to the offering being sent to the TSX. In addition, for every note purchased, the Company will issue to their holder 270 share purchase warrants at a strike price of $0.93 which expire on April 29, 2016. The convertible notes are subordinated to the Company's senior debt with its lenders and the Alaris partnership units. Participants in the private placement include the Company's largest shareholder, management for certain of the Company's recent acquisitions, the Company's senior management and certain existing institutional shareholders of the Company. The proceeds from the private placement were used to pay down the Company's Senior Debt.

On May 10, 2012, the Company amended its lending agreement with its senior lenders. As part of the amended lending agreement, the Company amended certain financial performance covenants. The amendment of these covenants is based on the Company's forecasted budget and provides the Company with greater financing flexibility on a go forward basis. The Company expects to be in compliance with its revised financial performance covenants in future periods. The amended lending agreement revises the calculation of interest as under the new agreement interest is calculated on a sliding scale ranging from prime plus 1.25% to prime plus 3.25% for principal borrowed and a range of 0.56% to 1.06% standby rate fee for amounts not borrowed.

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.

Condensed Unaudited Interim Consolidated Financial Statements
For the Periods Ended March 31, 2012 and 2011

(in thousands of Canadian dollars)

Dated: May 14, 2012

Centric Health Corporation
Unaudited Interim Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	March 31, 2012 $	December 31, 2011 $
Assets		
Current assets		
Cash and cash equivalents	**406**	407
Trade and other receivables	**65,337**	40,495
Prepaid expenses and deposit	**2,635**	2,244
Inventories (note 7)	**20,007**	5,257
	88,385	48,403
Non-current assets		
Property and equipment (note 10)	**25,884**	21,214
Goodwill and intangible assets (note 11)	**387,684**	361,485
Deferred income tax assets (note 15)	**4,911**	4,408
Loans receivable (note 6)	**929**	973
Investments in franchisees (note 6)	**208**	208
Total assets	**508,001**	436,691
Liabilities		
Current liabilities		
Trade payables and other amounts (notes 17 and 18)	**55,649**	44,760
Current portion of borrowings (notes 12 and 25)	**208,690**	175,911
Current portion of finance lease liabilities (note 14)	**1,865**	2,068
Current portion of contingent consideration (note 9)	**53,755**	63,009
Income taxes payable (note 15)	**1,608**	1,801
	321,567	287,549
Non-current liabilities		
Borrowings (notes 12 and 25)	**10,580**	8,841
LifeMark preferred partnership units (note 13)	**65,500**	65,500
Contingent consideration (note 9)	**22,974**	5,840
Finance lease liabilities (note 14)	**423**	279
Deferred income tax liabilities (note 15)	**3,603**	4,894
Deferred lease inducement	**492**	358
Derivative financial instruments (note 12)	**539**	1,812
Total liabilities	**425,678**	375,073
Equity		
Share capital (note 19)	**84,927**	62,122
Warrants	**4,560**	4,329
Contributed surplus	**5,395**	4,259
Equity portion of convertible borrowings	**3,199**	2,738
Accumulated other comprehensive income (loss)	**1,048**	(73)
(Deficit)	**(16,974)**	(12,238)
Equity attributable to shareholders of Centric Health Corporation	**82,155**	61,137
Non-controlling interests	**168**	481
Total equity	**82,323**	61,618
Total liabilities and equity	**508,001**	436,691

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

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

	For the period ended March 31,	
	2012	2011
	$	$
		(note 24)
Revenue	**104,253**	23,035
Cost of healthcare services and supplies	**53,408**	14,107
Employee costs	**21,479**	3,340
Other operating expenses	**13,568**	1,848
Corporate office expenses	**4,102**	1,544
Depreciation and amortization	**6,233**	447
Income from operations	**5,463**	1,749
Stock-based compensation	**1,148**	415
Interest expense (note 16)	**5,070**	637
Change in fair value of interest rate swaps (note 12)	**(152)**	-
Loss on disposal of property and equipment	**44**	-
Transaction and restructuring costs (note 8)	**2,327**	947
Increase in fair value of contingent consideration liability (note 9)	**1,402**	1,784
Loss before income taxes	**(4,376)**	(2,034)
Income tax expense (note 15)	**275**	370
Net loss	**(4,651)**	(2,404)
Net (loss) income attributable to:		
Shareholders of Centric Health Corporation	**(4,736)**	**(2,404)**
Non-controlling interests	**85**	**-**
Basic loss per common share	**($ 0.04)**	($ 0.03)
Diluted loss per common share	**($ 0.04)**	($ 0.03)
Weighted average number of common shares outstanding (in thousands) (note 19)		
Basic	**105,839**	77,198
Diluted	**126,105**	95,224

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

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

	For the period ended March 31, 2012 $	2011 $ (note 24)
Net loss	**(4,651)**	(2,404)
Change in fair value of interest rate swaps designated as hedges (note 12)	**1,121**	**-**
Comprehensive loss	**(3,530)**	(2,404)
Comprehensive (loss) income attributable to:		
Shareholders of Centric Health Corporation	**(3,615)**	(2,404)
Non-controlling interests	**85**	-

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

Centric Health Corporation
Unaudited Interim 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 December 31, 2010	**62,090,095**	**9,240**	**3,246**	**1,839**	**(61)**	**1,444**	**4,969**	**20,677**	**-**	**20,677**
Options exercised	412,500	244	-	(100)	-	-	-	144	-	144
Private placement	17,940,000	19,720	321	-	-	-	-	20,041	-	20,041
Amortization of deferred loss on interest rate swap	-	-	-	-	17	-	-	17	-	17
Deferred compensation expense	-	-	-	415	-	-	-	415	-	415
Net loss for the period	-	-	-	-	-	-	(2,404)	(2,404)	-	(2,404)
Balance at March 31, 2011	**80,442,595**	**29,204**	**3,567**	**2,154**	**(44)**	**1,444**	**2,565**	**38,890**	**-**	**38,890**
Balance at December 31, 2011	**98,220,254**	**62,122**	**4,329**	**4,259**	**(73)**	**2,738**	**(12,238)**	**61,137**	**481**	**61,618**
Options exercised	37,500	28	-	(12)	-	-	-	16	-	16
Public offering	463,163	432	231	-	-	461	-	1,124	-	1,124
Shares issued on acquisitions	3,597,632	6,140	-	-	-	-	-	6,140	-	6,140
Shares released from the escrow	10,127,956	16,205	-	-	-	-	-	16,205	-	16,205
Change in fair value of interest rate swaps	-	-	-	-	1,121	-	-	1,121	-	1,121
Deferred compensation expensed in the period	-	-	-	1,148	-	-	-	1,148	-	1,148
Non-controlling interest purchase price allocation adjustment	-	-	-	-	-	-	-	-	(398)	(398)
Net (loss) income for the period	-	-	-	-	-	-	(4,736)	(4,736)	85	(4,651)
Balance at March 31, 2012	**112,446,505[1]**	**84,927**	**4,560**	**5,395**	**1,048**	**3,199**	**(16,974)**	**82,155**	**168**	**82,323**

*AOCI – Accumulated other comprehensive income (loss)

[1] Excludes 69,106,081 shares in escrow and 600,000 restricted shares (note 19).

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

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

	For the period ended March 31, 2012 $	2011 $ (note 24)
Cash provided by (used in):		
Operating activities		
Net loss for the period	**(4,651)**	(2,404)
Adjustments for:		
Interest expense	**5,070**	620
Change in fair value of interest rate swaps	**(152)**	-
Amortization of deferred loss on interest rate swap	**-**	17
Loss on disposal of property and equipment	**44**	-
Depreciation of property and equipment	**1,621**	328
Amortization of finite-life intangible assets	**4,612**	119
Leasehold inducement	**134**	(6)
Income taxes paid	**(2,722)**	(138)
Income tax expense	**275**	370
Stock-based compensation expense	**1,148**	415
Increase in contingent consideration liability	**1,402**	1,784
Net change in non-cash working capital items (note 23)	**(17,684)**	(2,926)
Cash used in operating activities	**(10,903)**	(1,821)
Investing activities		
Loan advances	**-**	(310)
Deposit	**-**	1,266
Purchase of intangible assets	**(233)**	(171)
Purchase of property and equipment	**(1,458)**	(305)
Acquisition of businesses (note 8)	**(17,535)**	(8,462)
Payment of contingent consideration	**(346)**	-
Decrease in loans receivable from franchisees	**44**	-
Cash used in investing activities	**(19,528)**	(7,982)
Financing activities		
Interest paid	**(4,563)**	(166)
Repayment of borrowings	**(3,125)**	(14,972)
Proceeds from revolver, net of loan arrangement costs	**35,734**	-
Repayment of finance leases	**(361)**	(351)
Issuance of common shares and warrants and convertible debt, net of issuance costs	**2,745**	20,183
Cash provided by financing activities	**30,430**	4,694
Decrease in cash and cash equivalents	**(1)**	(5,109)
Cash and cash equivalents, beginning of period	**407**	9,210
Cash and cash equivalents, end of period	**406**	4,101

The accompanying notes are an integral part of these condensed unaudited interim 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. Basis of Preparation and Adoption of IFRS

These condensed unaudited interim consolidated financial statements for the three month periods ended March 31, 2012 and 2011 have been prepared by management in accordance with IAS 34, *Interim Financial Reporting* as outlined by Canadian generally accepted accounting principles ("GAAP"), as set out in Part I of the Handbook of The Canadian Institute of Chartered Accountants ("CICA Handbook"). The condensed unaudited interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS.

These financial statements were approved by the Board of Directors on May 14, 2012.

3. Significant Accounting Policies

The accounting policies applied in these condensed unaudited interim consolidated financial statements are consistent with the significant accounting policies used in the preparation of the annual consolidated financial statements for the years ended December 31, 2011 and 2010. These policies have been consistently applied to all periods presented, unless otherwise stated. Income taxes for the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The impact of new standards, amendments to standards and interpretations that have been issued but are not effective for financial periods beginning on or after January 1, 2012 and have not been early adopted are discussed in the Company's annual financial statements for the year ended December 31, 2011.

4. 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 is pursuing initiatives to reduce its senior debt levels through improved cash flow and may undertake equity financings from time to time subject to favorable market conditions. 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 19. Subsequent to March 31, 2012, the Company also completed a private placement of $15,000 of subordinated, unsecured convertible notes which is described further in note 25.

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 March 31, 2012. The Company has obtained a waiver with regards to not meeting certain financial performance covenants from its lenders subsequent to March 31, 2012. In addition, the Company has amended its lending agreement subsequent to March 31, 2012 as discussed in notes 5 and 25. The liquidity risks associated with the Company's financing and the Company's related plans and actions are discussed in note 5.

5. Financing

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 4.

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 March 31, 2012 and December 31, 2011. As required under IFRS, the Company has presented its net Term Loan balance of $146,068 and Revolving Facility balance of $62,622 as current liabilities at March 31, 2012. The Company's repayment schedule has not been amended as a result of not meeting certain financial performance covenants. The Company obtained waivers with regards to not meeting certain financial performance covenants from its lenders subsequent to March 31, 2012 and December 31, 2011 for the respective periods.

(in thousands of Canadian dollars)

5. Financing – continued

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. On May 8, 2012, the Company completed a private placement for $15,000 in convertible notes. The expected net proceeds from this private placement have been used to reduce the Company's Term Loan. On May 10, 2012, the Company amended its lending agreement in order to revise certain financial performance covenants. These revised covenants are based on the Company's approved operating budget and provide the Company with greater financing flexibility. These two subsequent events are discussed further in note 25. Based on these measures and the Company continuing to meet and its current budget, the Company expects to be in compliance with its financial performance covenants for the balance of 2012 and subsequent periods. The Company expects that in future quarters that its Term Loan and Revolving Facility will be presented as a long-term liability, except for amounts which are due within one year in accordance with the Company's existing repayment schedule.

6. Loans Receivable and Investments in Franchisees

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

	March 31, 2012	December 31, 2011
	$	$
Loan to PrevCan Inc.	**100**	100
Loans to franchisees	**829**	873
	929	973

PrevCan Inc.

During the three months ended March 31, 2012, there have been no changes with regards to the Company's loan arrangement with PrevCan Inc. The loan balance receivable from Prev Can Inc. at March 31, 2012 and December 31, 2011 is net of an allowance for impairment of $1,929.

Franchisees

Loans receivable from franchisees of $829 (December 31, 2011 - $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 is $208 (December 31, 2011 - $208). These franchisees had no earnings attributable to the Company for the three month period ended March 31, 2012.

(in thousands of Canadian dollars)

7. Inventories

The Company's inventory balances as at March 31, 2012 and December 31, 2011 consisted of the following:

	March 31, 2011 $	December 31, 2011 $
Medical supplies and prescription drugs	**3,634**	3,946
Retail and home medical equipment	**16,373**	1,311
	20,007	5,257

There were no provisions for the impairment of inventory or reversal of inventory provisions for the periods ended March 31, 2012 and 2011. Inventories are pledged as security as part of the Company's lending agreements as outlined in note 12.

8. Business Combinations

Motion Specialties

On February 13, 2012, the Company acquired 100% of the shares of 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, common shares and share purchase warrants, elements of 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. The Company paid $14,875 in cash and issued 3,495,359 common shares to the vendors of Motion Specialties at the time of acquisition. The release to the vendors of up to $15,000 in cash and 9,004,641 common shares of the Company will be over time subject to the acquired business achieving certain performance targets. The 9,004,641 contingent common shares are held in escrow. 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 financial performance targets. The warrants will have a two-year term from the date on which they vest and become exercisable.

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

Motion Specialties has revenues of $13,725 and income from operation of $1,132 which have been included in the Company's consolidated financial statements from the date of acquisition.

Other Acquisitions

During the three months ended March 31, 2012, the Company completed the acquisition of five physiotherapy clinic operations. The Company paid aggregate cash consideration of $2,660 and common share consideration valued at $163 for these acquisitions and certain of these agreements include contingent cash and/or contingent share considerations based on the acquired entity achieving specified financial outperformance targets. There are 587,500 shares held in escrow as a result of these acquisitions.

(in thousands of Canadian dollars)

8. Business Combinations – continued

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

Purchase price	**Motion Specialties** $	**Physiotherapy Clinics** $	**Total** $
Cash consideration	14,875	2,660	17,535
Common shares	5,977	163	6,140
Contingent consideration	21,426	1,603	23,029
	42,278	**4,426**	**46,704**

Fair value of net assets acquired	**Motion Specialties** $	**Physiotherapy Clinics** $	**Total** $
Current assets	36,985	613	37,598
Property and equipment	4,379	311	4,690
Goodwill	26,271	3,814	30,085
Deferred tax (liabilities)	(24)	-	(24)
Other non-current assets	-	21	21
Less: liabilities assumed	25,333	333	25,666
	42,278	**4,426**	**46,704**

Included in current assets for Motion Specialties are accounts receivable of $19,983 and inventory of $16,832.

The fair value of contingent consideration of $15,947 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.

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, are expensed as incurred. Restructuring costs for the three months ended March 31, 2012 include costs associated with the announced departure of the Company's former CEO. During the three month period ended March 31, 2012, transaction and restructuring costs were $2,327 (2011 - $947).

(in thousands of Canadian dollars)

8. Business Combinations - continued

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, 2012:

Period ended March 31, 2012	Transaction effective date	Revenue $	Income from operations $
As reported		104,253	5,463
Motion Specialties	February 13, 2012	9,585	243
Physiotherapy clinics	Various	152	16
Total		113,990	5,722

The data above was gathered from due diligence and closing statements as received in the process of completing the transactions.

2011 Acquisitions

Performance

On December 8, 2011, the Company completed the acquisition of 75% of the shares of Performance Medical Group ("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 outperformance 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.

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 outperformance 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.

8. Business Combinations - continued

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 surgical and endoscopy facilities located in Sarnia and Windsor, Ontario.
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 outperformance 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.

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 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 outperformance 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.

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 agreements has been added to the Company's capital cost allowance pool for tax purposes.

8. 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 negotiating 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 condensed unaudited interim 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.

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 was to be 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, on February 28, 2012, the Company issued 10,127,956 shares to the SSI vendors. The remaining 1,700,000 shares held in escrow for the vendors of SSI were cancelled and no share purchase warrants were issued to the vendors of SSI.

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

(in thousands of Canadian dollars)

8. Business Combinations - continued

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	-	-	-	-	69	-	10	-	79
Cash paid to Alaris to redeem preferred partnership units	-	65,000	-	-	-	-	-	-	65,000
	18,983	**190,062**	**9,597**	**10,421**	**875**	**49,190**	**5,866**	**1,220**	**286,214**

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	635	38,914
Property and equipment	4,333	9,803	1,742	855	386	1,427	24	160	18,730
Goodwill	12,984	194,263	-	7,843	600	46,332	5,785	249	268,056
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	148,356	-	687	326	6,475	209	134	163,378
	18,983	**190,062**	**9,597**	**10,421**	**875**	**49,190**	**5,866**	**1,220**	**286,214**

The fair value of the contingent consideration of $9,905 for SSI, $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.

(in thousands of Canadian dollars)

8. 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 purchase price allocation for SSI is final. The purchase price allocation for 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 purchase price for Classic Care and Performance are preliminary in nature as any finite-life intangible assets 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. During the period ended March 31, 2012, the Company recorded adjustments of $493 to goodwill for 2011 acquisitions in finalizing purchase price allocations. Of these adjustments $891 were related to working capital adjustments for LifeMark and Classic Care offset by $398 related to the valuation of minority interest for LSC and Performance.

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

Acquired entity	Acquisition date	Performance term	Contingent Cash Consideration $	Issuable common shares	Issuable outperformance warrants*	Amount recognized at acquisition date $	Range of value of contingent consideration $	Contingent consideration liability at March 31, 2012 $
LifeMark	June 9, 2011	1 year	-	46,875,000	-	106,862	0 – 65,625	36,315
Blue Water	Aug. 17, 2011	3 years	-	6,153,846	3,076,923	2,746	0 – 9,199	4,499
Classic Care	Nov. 17, 2011	1 – 1.5 years	-	2,810,094	5,000,000	3,774	0 – 4,827	3,904
Performance	Dec. 8, 2011	2 years	-	3,000,000	2,000,000	2,856	0 – 5,088	3,209
Motion Specialties	Feb. 13, 2012	3 years	15,000	9,004,641	7,500,000	14,344	0 – 31,540	14,568
Other	Various	3 years	373	4,387,760	2,035,934	2,503	0 – 6,619	4,360
Total			**15,373**	**72,231,341**	**19,612,857**	**133,085**	**0 – 122,898**	**66,855**

* 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.

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 $122,898 based on the share price of the Company's common shares on March 31, 2012 ($1.55 per share).

(in thousands of Canadian dollars)

9. 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 cash, shares and warrants:

	SSI $	LifeMark $	Blue Water $	Classic Care $	Performance $	Motion Specialties $	Other $	Total $
Balance at December 31, 2011	16,103	37,693	3,317	3,616	2,620	-	5,500	68.849
Fair value at date of acquisition	-	-	-	-	-	21,426	1,603	23,029
Change in fair value during the period	102	(1,378)	1,182	288	589	512	107	1,402
Contingent consideration settled in shares	(16,205)	-	-	-	-	-	-	(16,205)
Contingent consideration settled in cash	-	-	-	-	-	-	(346)	(346)
Total contingent consideration	-	**36,315**	**4,499**	**3,904**	**3,209**	**21,938**	**6,864**	**76,729**
Less: Current portion	-	**36,315**	**1,500**	**3,904**	**1,605**	**7,312**	**3,119**	**53,755**
Non-current portion at March 31, 2012	-	**-**	**2,999**	**-**	**1,604**	**14,626**	**3,745**	**22,974**

The above table includes contingent consideration payable in cash in the amount of $16,377 at March 31, 2012 of which $7,062 is payable within one year.

(in thousands of Canadian dollars)

10. Property and Equipment

	Office furniture, fixtures and equipment $	Computer equipment $	Medical and physiotherapy equipment $	Leasehold improvements $	Total $
Period ended March 31, 2011					
Opening net carrying value	233	357	370	489	1,449
Additions	69	41	33	162	305
Acquisitions	68	60	3,412	793	4,333
Depreciation for the period	(15)	(44)	(146)	(123)	(328)
Closing net carrying value	**355**	**414**	**3,669**	**1,321**	**5,759**
As at March 31, 2011					
Cost	2,144	1,379	4,334	1,484	9,341
Accumulated depreciation	(1,789)	(965)	(665)	(163)	(3,582)
Net carrying value	**355**	**414**	**3,669**	**1,321**	**5,759**
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**
Period ended March 31, 2012					
Opening net carrying value	3,858	2,871	6,376	8,109	21,214
Additions	365	354	395	344	1,458
Finance leases	-	-	188	-	188
Acquisitions	1,505	1,032	757	1,396	4,690
Disposals	(16)	-	-	(28)	(44)
Depreciation for the period	(241)	(235)	(491)	(655)	(1,622)
Closing net carrying value	**5,471**	**4,022**	**7,225**	**9,166**	**25,884**
As at March 31, 2012					
Cost	7,920	5,457	9,018	11,512	33,907
Accumulated depreciation	(2,449)	(1,435)	(1,793)	(2,346)	(8,023)
Net carrying value	**5,471**	**4,022**	**7,225**	**9,166**	**25,884**

(in thousands of Canadian dollars)

11. Goodwill and Intangible Assets

	Goodwill $	Licences $	Contracts $	Non-compete contracts $	Computer software $	Franchise rights $	Customer & physician relationships $	Trademark $	Total $
Period ended March 31, 2011									
Opening net carrying value	20,454	1,026	4,396	-	1,436	-	**2,145**	-	29,457
Additions		-	-	-	171	-	-	-	171
Acquisitions	23,187	-	-	-	-		310	-	23,497
Amortization charge	-	-	-	-	(64)	-	(55)	-	(119)
Impairment	-	-	-	-	-	-	-	-	-
Closing net carrying value	**43,641**	**1,026**	**4,396**	**-**	**1,543**	**-**	**2,400**	**-**	**53,006**
As at March 31, 2011									
Cost	43,641	1,397	4,396	-	1,962	-	2,510	-	29,457
Accumulated amortization and impairment	–	(371)	–	-	(419)	-	(110)	-	(900)
Net carrying value	**43,641**	**1,026**	**4,396**		**1,543**	**-**	**2,400**		**53,006**
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**
Period ended March 31, 2012									
Opening net carrying value	236,865	8,198	13,476	689	3,493	6,674	49,851	42,239	361,485
Additions	-	-	-	-	233	-	-	-	233
Acquisitions	30,085	-	-	-	-	-	-	-	30,085
Purchase price allocation adjustment	493	-	-	-	-	-	-	-	493
Amortization charge	-	(178)	(172)	(110)	(164)	(86)	(2,786)	(1,116)	(4,612)
Closing net carrying value	**267,443**	**8,020**	**13,304**	**579**	**3,562**	**6,588**	**47,065**	**41,123**	**387,684**
As at March 31, 2012									
Cost	317,443	8,836	14,164	955	4,516	6,860	57,320	45,326	455,420
Accumulated amortization and impairment	(50,000)	(816)	(860)	(376)	(954)	(272)	(10,255)	(4,203)	(67,736)
Net carrying value	**267,443**	**8,020**	**13,304**	**579**	**3,562**	**6,588**	**47,065**	**41,123**	**387,684**

(in thousands of Canadian dollars)

11. Goodwill and Intangible Assets - continued

The Company has $14,252 of indefinite life intangible assets at March 31, 2012 (December 31, 2011 - $ 14,252).

12. Borrowings

Borrowings consist of the following:

	March 31, 2012 $	December 31, 2011 $
Term Loan	**151,875**	155,000
Loan arrangement costs	**(5,807)**	(5,977)
Revolving Facility	**62,622**	26,888
Convertible debt from unit offering	**7,969**	5,846
Financing fees	**(1,704)**	(1,232)
Related party convertible loan (note 19)	**5,000**	5,000
Unaccreted discount (note 19)	**(685)**	(773)
	219,270	184,752
Less: current portion	**208,690**	175,911
Total non-current borrowings	**10,580**	8,841

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 $5,807 at March 31, 2012, 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 March 31, 2012 and December 31, 2011. However, the Company received a waiver from its lenders subsequent to March 31, 2012 and December 31, 2011, respectively, with respect to certain financial performance covenants at March 31, 2012 and December 31, 2011. As required under IFRS, the Company has presented its net Term Loan balance of $146,068 and Revolving Facility balance of $62,622 as current liabilities. The Company’s repayment schedule has not been amended as a result of not meeting certain financial performance covenants and the subsequent waiver obtained by the Company from its lenders.

As at March 31, 2012, the Company has borrowed $151,875 of the Term Loan. Repayment terms are as follows:

	Total	1 year	2-3 years	4-5 years
Term Loan	$ 151,875	$ 13,125	$ 28,750	$ 110,000

12. Borrowings – continued

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. The Company also had additional borrowing capacity in terms of a pre-arranged accordion of $40,000 to be made available under its Revolving Facility, for acquisitions. During the three months ended March 31, 2012, the Company used the accordion as part of its acquisition of Motion Specialties and as such currently has a borrowing limit of $75,000 under the Revolving Facility. As at March 31, 2012, the Company has borrowed $62,622 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.

Substantially all of the Company's assets are pledged as security for the above borrowings. 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 19.

The Company entered into interest rate swap agreements and certain of these interest rate swaps have been designated as effective hedges. At March 31, 2012, 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 period ended March 31, 2012, the effective portion of the Company's gains associated with these hedged financial instruments was $1,121. The gain of $1,121 recognized in equity at March 31, 2012, 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 recorded as a gain was $152 for the period ended March 31, 2012. At March 31, 2012, the Company recorded an accrued liability of $539 (December 31, 2011 - $1,812) for its derivative financial instruments.

13. 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)

14. Finance Leases

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

	March 31, 2012 $	December 31, 2011 $
Cost - capitalized finance leases	**4,023**	3,722
Accumulated depreciation	**1,735**	1,375
Finance leased assets	**2,288**	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:

	March 31, 2012 $	December 31, 2011 $
No later than 1 year	**1,814**	2,036
Later than 1 year but no later than 5 years	**366**	259
Future finance charges on finance lease	**108**	52
Minimum lease payments	**2,288**	2,347

The present value of finance lease liabilities is as follows:

	March 31, 2012 $	December 31, 2011 $
No later than 1 year	**1,865**	2,068
Later than 1 year but no later than 5 years	**423**	279
Present value of finance lease liabilities	**2,288**	2,347

15. 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 25% (30% for 2011) due to permanent and timing differences. Deferred income tax assets and liabilities are presented on a net basis by legal entity on the balance sheet. At March 31, 2012 and December 31, 2011, deferred tax assets of $241 were not recognized for a capital loss for which the Company does not expect to realize the related benefit. At March 31, 2012 and December 31, 2011, the Company did not have any deferred tax liabilities that have not been recognized.

As at March 31, 2012 and December 31, 2011, the Company had $37,061 and $28,051, respectively of gross tax loss carryforwards. The Company expects that future operations will generate sufficient taxable income to realize the deferred tax assets.

(in thousands of Canadian dollars)

15. 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.

16. Interest Expense

Interest expense for the three month periods ended March 31, 2012 and 2011 are comprised of the following:

	Three months ended March 31,	
	2012	2011
	$	$
Interest on long-term loan and revolving facilities	**2,608**	133
Amortization of loan arrangement fees	**390**	74
Interest on related party debt	**75**	160
Accretion of related party loan discounts	**99**	220
Interest on capital leases	**29**	64
Amortization of deferred loss on interest rate swap	**-**	17
Interest on convertible debt	**163**	-
Accretion on convertible debt	**46**	-
Interest expense before distributions for preferred partnership units	**3,410**	668
Distributions for preferred partnership units	**1,688**	-
Total interest expense	**5,098**	668
Interest income	**28**	31
Net interest expense	**5,070**	637

17. Trade Payables and Other Amounts

Trade and other payables at March 31, 2012 and December 31, 2011 are comprised of the following:

	March 31, 2012	December 31, 2011
	$	$
Trade payables	**33,001**	17,352
Accrued liabilities	**19,716**	26,635
Deferred revenue	**2,932**	773
Total trade payables and other amounts	**55,649**	44,760

(in thousands of Canadian dollars)

18. 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 20% of the issued and outstanding common shares of the Company as of March 31, 2012. This ownership percentage disclosed assumes issuance of 69,706,081 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 three month periods ended March 31, 2012 and 2011, is as follows:

	Period ended March 31, $	
	2012	2011
GHIS fees		
Completion fees	**150**	137
Advisory fees	**300**	240
Market capitalization fee	**-**	429
Total fees earned by GHIS in the period	**450**	806
GHIS travel and related expenses	**22**	68
Interest incurred on Jamon loans	**75**	92
	547	966

During the three months ended March 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.

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 independent members of 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.

Included in trade and other payables at March 31, 2012 and December 31, 2011 are $4,524 and $4,785, respectively, due to GHIS; and $nil and $226, respectively for interest payable to Jamon. Of the amounts due to GHIS, $4,200 is only due and payable when the Company meets the conditions set out in the Credit Agreement between the Company and its lenders.

(in thousands of Canadian dollars)

18. Related Party Transactions and Balances – continued

At December 31, 2011, GHIS had 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. Subsequent to March 31, 2012, entities controlled by the shareholders of GHIS were participants in a private placement which raised $15,000 which was used to pay down the Company's Term Loan. On May 11, 2012, the Company notified GHIS that their letter of support was no longer required and was terminated.

Related party loan

The Company has a promissory note with Jamon for $5,000 that bears interest at 6% with a conversion feature of one share per one dollar of principal amount and is due November 9, 2013.

19. Shareholders' Equity and Earnings (Loss) 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:

Three months ended March 31, ($ thousands, except share amounts)	**2012**		2011	
Common shares	**Shares**	**Stated value $**	Shares	Stated value $
Balance, beginning of period	**98,220,254**	**62,122**	62,090,095	9,240
Issued in private placement	**-**	**-**	17,940,000	19,720
Shares released from escrow	**10,127,956**	**16,205**	-	-
Issued on acquisitions	**3,597,632**	**6,140**	-	-
Issued through public financing	**463,163**	**432**	-	-
Stock options exercised	**37,500**	**28**	412,500	244
Balance, end of period	**112,446,505**	**84,927**	80,442,595	29,204

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

	Shares	**Stated Value $**
Motion Specialties	**3,495,359**	5,977
Other	**102,273**	163
	3,597,632	**6,140**

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 182,152,586 at March 31, 2012.

(in thousands of Canadian dollars)

19. Shareholders' Equity and Earnings (Loss) per Share - continued

Shares restricted or held in escrow:

Entity	Escrowed Shares
Restricted compensation shares	600,000
LifeMark	46,875,000
BlueWater	6,153,846
London Scoping	675,000
Classic Care	2,810,094
Performance	3,000,000
Motion Specialties	9,004,641
Other	587,500
Total	**69,706,081**

On February 28, 2012, 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 were cancelled. The Company did not issue any share purchase warrants to the vendors of SSI.

Subsequent to March 31, 2012, the 600,000 restricted compensation shares held in escrow were cancelled as described in note 25.

The continuity of escrowed shares is as follows:

	March 31, 2012	March 31, 2011
Balance at beginning of the period	71,941,896	1,100,000
Additional escrowed shares	9,592,141	11,827,956
Released escrowed shares	(10,127,956)	-
Cancelled escrowed shares	(1,700,000)	
	69,706,081	**12,927,956**

(in thousands of Canadian dollars)

19. Shareholders' Equity and Earnings (Loss) per Share - continued

Issuance of common shares and warrants

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 and sold 361 units and received gross proceeds of $3,610 from the second closing of this public offering which closed on February 22, 2012. The Company incurred $881 in costs associated with the second closing. 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 $1.68 on the date of the closing of this offering.

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	81%
Risk-free interest rate	1.47%
Expected life in years	5
Share price at date of issue	$1.68
Fair value of warrant	$0.90

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

Common shares	$ 572
Warrants	305
Equity portion of convertible borrowings	610
Debt	2,123
Total	$ 3,610

(in thousands of Canadian dollars)

19. Shareholders' Equity and Earnings (Loss) per Share - continued

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

The Company's outstanding and exercisable stock options are as follows:

Three months ended March 31,	**2012**		2011	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of period	**11,355,500**	**$ 1.32**	6,100,000	$ 0.78
Options exercised	**(37,500)**	**0.42**	(412,500)	0.35
Options forfeited	**-**	**-**	(25,000)	0.28
Balance, end of period	**11,318,000**	**1.32**	5,662,500	0.73
Exercisable, end of period	**2,258,334**	**0.68**	1,172,917	0.60

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding as at March 31, 2012 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	1,550,000	$0.38	1.4	1,108,334	$0.41
$0.51 - $1.00	2,288,000	$0.82	3.6	525,000	$0.83
$1.01 - $1.50	1,250,000	$1.03	2.7	625,000	$1.03
$1.51 - $1.88	6,230,000	$1.80	4.3	-	N/A
Total	11,318,000	$1.32	3.6	2,258,334	$0.68

(in thousands of Canadian dollars)

19. Shareholders' Equity and Earnings (Loss) per Share - continued

The Company's outstanding and exercisable warrants are as follows:

Three months ended March 31,	**2012**		2011	
Share purchase warrants	**Warrants**	**Weighted average exercise price**	Warrants	Weighted average exercise price
Balance, beginning of period	**23,281,200**	**$ 0.45**	21,500,000	$ 0.36
Warrants granted	**463,163**	**1.66**	538,200	1.00
Balance, end of period	**23,744,363**	**0.48**	22,038,200	0.38
Exercisable, end of period	**21,998,200**	**0.38**	22,038,200	0.38

Loss per share

Loss per share has been calculated on the basis of net loss for the period divided by the weighted average number of common shares outstanding during the period. Diluted loss 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. Loss 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 March 31, 2012 and 2011.

	Three months ended March 31,	
	2012	2011
Basic weighted average shares outstanding	**105,838,750**	77,198,000
Dilutive effect of unvested shares	**750,000**	1,100,000
Dilutive effect of share options	**2,255,658**	1,581,000
Dilutive effect of warrants	**15,749,489**	14,229,000
Dilutive effect of convertible debt	**1,510,735**	1,116,000
Diluted shares outstanding	**126,104,632**	95,224,000

(in thousands of Canadian dollars)

20. Commitments

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

	March 31, 2012 **$**	December 31, 2011 $
Less than one year	10,493	9,041
Between one and five years	22,856	19,965
More than five years	4,885	8,020
Total	38,234	37,026

In the normal course of business, the Company enters into significant commitments for the purchase of goods and services, such as the purchase of inventory, most of which are short-term in nature and are settled under normal trade terms.

21. 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 the Company, 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.

(in thousands of Canadian dollars)

22. 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 period ended March 31, 2012						
	Physiotherapy $	Pharmacy $	Surgical $	Assessments $	Retail & Home Medical Equipment $	Corporate $	Total $
Revenue	45,125	23,300	8,546	10,124	17,158	-	104,253
Depreciation and amortization	3,260	385	846	1,128	522	92	6,233
Interest expense	-	-	-	-	-	5,070	5,070
Income (loss) before interest expense and income taxes (1)	3,714	2,145	289	393	1,395	(7,242)	694
Capital expenditures	732	378	139	164	278	-	1,691
Goodwill	115,084	51,421	21,427	32,457	47,054	-	267,443
Total assets	202,744	82,941	47,669	66,435	102,371	5,840	508,001
Total liabilities	26,983	5,139	4,166	19,087	18,553	351,750	425,678

(1) Included in the income before interest expense and income taxes for the Corporate segment is $1,402 of a non-cash loss from the net increase in the fair value of the contingent consideration liability for the period and $2,327 in transaction and restructuring costs related to business acquisitions.

	As at and for the period ended March 31, 2011					
	Physiotherapy $	Pharmacy $	Surgical $	Assessments $	Corporate $	Total $
Revenue	11,743	1,078	5,140	5,074	-	23,035
Depreciation and amortization	81	64	272	24	6	447
Interest expense	-	-	-	-	637	637
Income before interest expense and income taxes (1)	2,124	(21)	399	840	(4,739)	(1,397)
Capital expenditures	362	91	17	6	-	476
Goodwill	15,811	4,643	23,187	-	-	43,641
Total assets (2)	31,420	8,069	30,293	4,001	8,373	82,156
Liabilities	25,139	301	5,837	2,497	14,286	48,060

(1) Included in the income before interest expense and income taxes for the Corporate segment is $1,784 of a non-cash loss from the net increase in the fair value of the contingent consideration liability for the period and $947 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.

(in thousands of Canadian dollars)

23. Supplementary Disclosure to the Consolidated Statements of Cash Flows

The net change in non-cash working capital comprises the following:

	Three months ended March 31,	
	2012	2011
	$	$
Trade and other receivables	**(3,389)**	(2,717)
Inventories	**1,416**	4
Prepaid expenses	**(391)**	50
Trade payables and other amounts	**(15,320)**	(263)
	(17,684)	(2,926)

24. Comparative Figures

For the year ended December 31, 2011, in finalizing its purchase price allocations, the Company amended the value ascribed to contingent consideration to include a discount on the fair value for contingent share consideration which was held in escrow. As a result, the Company has amended the comparative period figures to reflect this revised valuation of contingent share consideration.

25. Subsequent Events

Effective April 30, 2012, Mr. Daniel Carriere stepped down as President and Chief Executive Officer of the Company to pursue other interests. Mr. Carriere will remain as a Non-Executive Director of the Company until the next annual general meeting of the Company. On May 8, 2012, the Company cancelled 1,200,000 common shares that were previously issued to the Company's former CEO and then issued 450,000 common shares of the Company to the former CEO. As at March 31, 2012, 600,000 of the cancelled common shares were restricted shares. Effective April 30, 2012, Dr. Jack Shevel, Executive Chairman of the Company, assumed the role of interim President and Chief Executive Officer until a replacement has been appointed.

On May 8, 2012, the Company completed a private placement of $15,000 of subordinated, unsecured convertible notes. The notes bear interest at 5.50% per annum, payable semi-annually and mature on April 30, 2016. Each note is convertible into common shares of the Company at the option of the holder at a strike price of $0.93 per share representing 110% of the five day weighted average share price for the five pay period prior to the offering being sent to the TSX. In addition, for every note purchased, the Company will issue to its holder 270 share purchase warrants at a strike price of $0.93 per share which expire on April 29, 2016. The convertible notes are subordinated to the Company's senior debt with its lenders and to the Alaris preferred partnership units. Participants in the private placement include the Company's largest shareholder, management for certain of the Company's recent acquisitions, the Company's senior management and certain existing institutional shareholders of the Company. The proceeds from the private placement were used to pay down the Company's Senior Debt.

On May 10, 2012, the Company amended its lending agreement with its senior lenders. As part of the amended lending agreement, the Company amended certain financial performance covenants. The amendment of these covenants is based on the Company's forecasted budget and provides the Company with greater financing flexibility on a go forward basis. The Company expects to be in compliance with its revised financial performance covenants in future periods. The amended lending agreement revises the calculation of interest as under the new agreement interest is calculated on a sliding scale ranging from prime plus 1.25% to prime plus 3.25% for principal borrowed and a range of 0.56% to 1.06% standby rate fee for amounts not borrowed.