Management's Discussion and Analysis

For the three month periods ended March 31, 2013 and 2012

Dated: May 7, 2013

Index

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Certain statements in this MD&A constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the headings "*Business Outlook"* and "*Risks and Uncertainties"* and other statements concerning the Company's 2013 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 month periods ended March 31, 2013 and 2012 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 unaudited interim consolidated financial statements and notes thereto for the three month periods ended March 31, 2013 and 2012. The unaudited interim consolidated financial statements for the three month periods ended March 31, 2013 and 2012 are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. The Company's significant accounting policies are summarized in detail in note 1 of the consolidated financial statements for the years ended December 31, 2012 and 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 7, 2013. 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 three month periods ended March 31, 2013

Financial Performance

Following the completion of the Motion Specialties acquisition in February 2012, the Company's revenue has increased by 8.7% to $113.3 million for the three month period ended March 31, 2013 as compared to the same period in the prior year. Adjusted EBITDA[1] decreased to $9.7 million for the three month period ended March 31, 2013, as compared to $11.8 million for three month period ended March 31, 2012 due mainly to a decline in the financial performance of the surgical division and two fewer business days between the comparative periods impacting results in all segments. The Company continued its focus on working capital in the first quarter of 2013 which resulted in the Company reporting positive cash flow from operations for four consecutive quarters.

Financing

Consistent with the Company's objective of strengthening its balance sheet, on April 18, 2013, the Company completed a $200,000 public offering of second lien senior secured notes which bear interest at 8.625% and mature on April 18, 2018. The Company used the proceeds from this offering to repay its Term Loan, Revolving Facility and $10,000 of preferred partnership units. Also on April 18, 2013, the Company entered into an amended and restated credit agreement with its senior lenders. The amended and restated agreement revises the Company's Revolving Facility to a maximum borrowing limit of $50,000 which matures and is payable on June 9, 2015. The Company utilized $12,500 of the amended and restated Revolving Facility to repay preferred partnership units.

Related Party Transaction

On March 21, 2013, subject to approval of the shareholders of the Company on May 9, 2013, Global Healthcare Investments and Solutions, Inc. ("GHIS") and the Company negotiated an amended consulting agreement which eliminates completion fees, removes consulting fees for the year ended December 31, 2013, and amends consulting fees to $75 per month from January 2014 to the completion of the agreement in June 2015. The Company expects to issue 4,802,311 common shares, which is an equivalent of $2,150 in common shares of the Company, to GHIS based on the five day value weighted average of the Company's share price immediately following the announcement of the Company's 2012 annual results on March 28, 2013. These common shares will be subject to a one year hold period unless the Company's Board of Directors approves an earlier release date.

People

Since the appointment of David Cutler as President and Chief Executive Officer of the Company in September 2012, Mr. Cutler has assembled a strong leadership team to drive forward the growth of Centric Health. This new senior management team includes Daniel Gagnon as Chief Financial Officer, effective February 13, 2013, Chris Dennis as Chief Operating Officer and Jim Black as Chief Information Officer, both effective April 8, 2013. The Company also strengthened its Board of Directors with the appointment Yazdi Bharucha as an independent director and chair of the Company's Audit Committee effective February 22, 2013.

Regulatory

The Company is currently evaluating proposed regulatory changes announced by the Ontario Ministry of Health in April 2013 related to physiotherapy services for seniors as discussed in the Business Outlook.

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

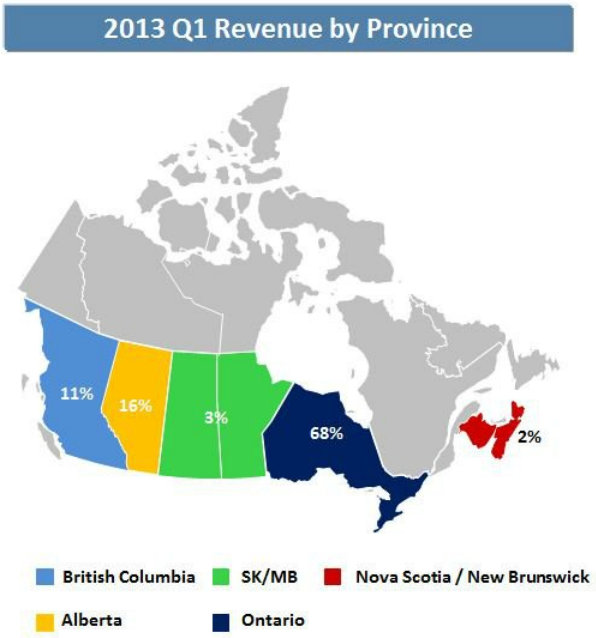
Business Overview

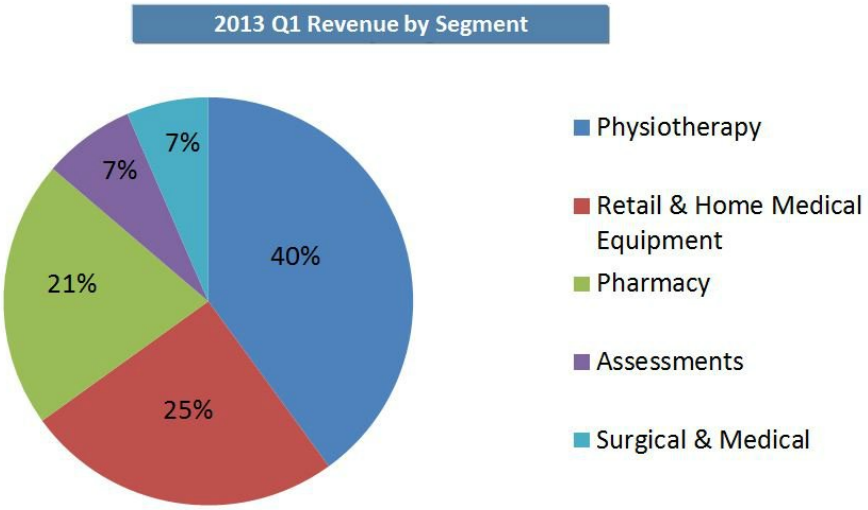
Centric Health Corporation is a Canadian healthcare products and services company with the largest healthcare services platform and networks across Canada in physiotherapy, assessments, seniors' wellness, surgical and medical centres, specialty pharma, orthotics and home medical equipment. The Company reaches approximately 1,000 locations across Canada and has 19 surgical operating rooms and provides services to over 60,000 long-term care and retirement home beds through its more than 3,600 healthcare professionals, staff and consultants.

Business Strategy

Centric Health is pursuing a strategy of expansion and growth to establish a national network which focuses on services to seniors, corporate health plans and surgical and medical centres. The Company aims to achieve this objective through organic growth opportunities, mergers and accretive acquisitions. Centric Health's organic growth initiatives are primarily focused on healthcare sectors that not only demonstrate compelling growth prospects but also present synergies, rationalization and cross-selling benefits which will create meaningful stakeholder value with an overarching **focus on quality care to our patients**. Centric Health's acquisitions are targeted towards entrepreneurial companies with a successful track record and intellectual property. This diversified strategy across seven 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 month period ended March 31, 2013 by province and segment are denoted below.



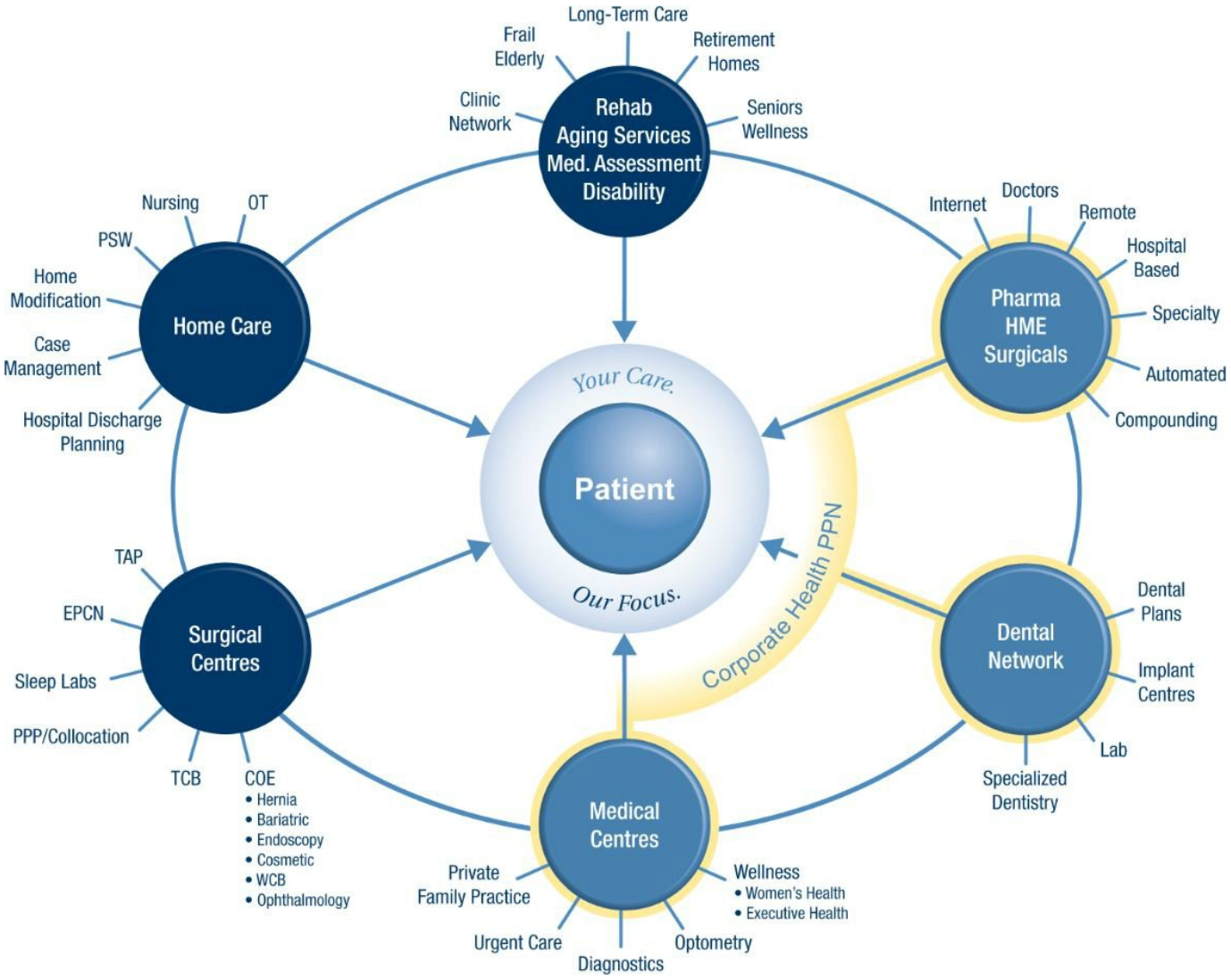


Centric Health has a strategic focus to differentiate its services and product offerings by partnering with healthcare professionals and employees to achieve clinical excellence with a focus on the highest standards of care. Centric Health's long-term objective is that management, staff and healthcare professionals will own between 30% to 40% of the Company. This contributes towards aligning interests, sharing ownership and motivating Centric Health stakeholders to offer patients a more comprehensive and personalized unique brand of care.

It is expected that organic growth, top line initiatives as well as rationalization opportunities resulting in reduced corporate and operating costs will be realized in future quarters. The Company has assembled a strong new senior management team that is focused on harnessing the earnings potential of the Company's platform. Many of the efforts of this new management team are not expected to be realized until the second half of 2013. The Company has realized efficiencies through consolidation of premises and facilitating centralization of support services and staff. These initiatives will continue in the coming quarters through IT systems integration, centralized purchasing and standardization of various transaction streams in the operations of the businesses. The Company will only pursue acquisitions that complement and enhance the Company's existing core operations and strategic plan.

The Company's strategy for a diversified portfolio of healthcare operations is illustrated through the diagram below.

Diversified Healthcare Portfolio Strategy

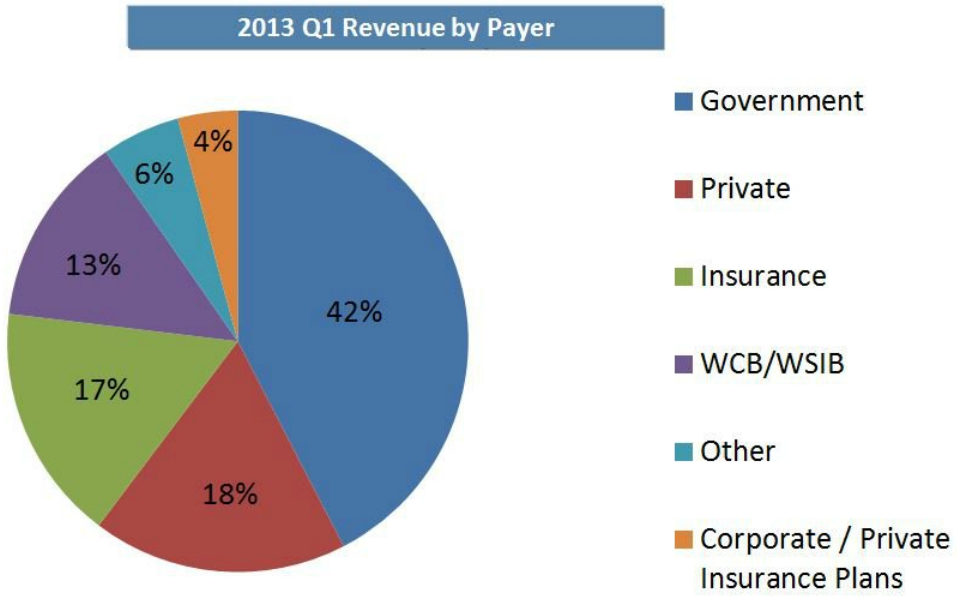


The Company's primary focus areas and target markets are as follows:

Primary Focus Area	Revenue Source
Seniors Services	Government
Corporate Health Plans	Insurers
Surgical and Medical Centres	Government, Insurance and Private Pay

These areas of focus represent a large portion of Canada's independently provided healthcare spend which are underpinned by secure and diverse revenue streams with strong growth prospects.

The diversification of the Company's revenue streams is evidenced in the graph below.



Accreditation

The Company is fully committed 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 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.

The Company's surgical centres are fully accredited with the provincial colleges of physicians and surgeons where required. Where not required, the Company completes voluntary certification programs. Infection control is a key aspect of hospital certifications. The Company places an emphasis on exceeding quality standards and focusing on the highest levels of patient care and outcomes. The ability to operate surgical facilities requires provincial licencing which is not always readily available.

Business Outlook

Centric Health undertook an aggressive growth strategy from 2010 to 2012 in order to assemble a unparalleled Canadian national healthcare company with a platform for future expansion and growth. With rapid growth through acquisitions, the Company experienced challenges in realizing the full financial potential of its platform. The Company appointed David Cutler as its new President and CEO in September 2012, an individual with a track record of success in the healthcare industry, in order to drive the Company to realize its full potential over the long-term. Since joining the Company, Mr. Cutler has validated the strength and potential of the Company's platform. However, there was recognition that certain initiatives would be required to fulfill the Company's potential. One key area which was identified was the need to bring together a stronger senior management team. The Company made several significant personnel announcements in the first quarter of 2013 including the hiring of Daniel Gagnon as CFO, Chris Dennis as COO and Jim Black as CIO. This new management team is focused on optimizing and growing results from the Company's existing platform. Projects aimed at the advancement and implementation of growth initiatives, the effective use of technology to enhance business integration, management of working capital and cost saving initiatives have been launched since September 2012 and further initiatives are forthcoming from the Company's new leadership team. Many of the Company's growth initiatives have a longer sales cycle and the benefits are not expected to be realized until the second half of 2013.

The new executive team is focused on strengthening the Company's balance sheet by concentrating on financial performance and free-cash flow generation, thereby reducing the Company's senior debt and total debt leverage ratios over the medium term. The Company recently completed a $200,000 prospectus supplement for second lien senior secured notes in April 2013 which was used to pay down the Company's Term Loan, Revolving Facility and $10,000 of preferred partnership units. A further $12,500 was drawn from the Company's amended and restated Revolving Facility in April 2013 in order to further pay down preferred partnership units. The repayment of preferred partnership units is a key initiative of the Company as this is the Company's most expensive debt instrument. In addition, the second lien senior secured notes and the amended and restated Revolving Facility contain less onerous financial performance covenants. The Company anticipates that, based on meeting its risk-adjusted 2013 operating budget, it will generate sufficient cash flow from operations in 2013 to meet its obligations as they come due.

While the Company continues to seek out strategic acquisitions that will bolster its existing national platform, its main focus in 2013 will be to grow its existing businesses. Many organic growth initiatives were commenced in 2012 which tend to have a long sales cycle and as such, the Company does not expect to begin to realize the benefits of these initiatives until the second half of 2013 and beyond. Cross-selling initiatives include bundled service contracts which leverages the Company's platform to offer bundled services of physiotherapy, pharmacy and home medical equipment services to long-term care and retirement homes. The Company signed new bundled services contracts in the first quarter of 2013 and the Company plans on continuing its focus in this area. Other cross-selling initiatives include expanding orthotic sales in physiotherapy clinics, Motion Specialties and MEDIchair stores; and promoting rehabilitative services to surgical patients to expedite recovery.

In addition to growth initiatives, the Company continues to focus on improving its operating margins through right-sizing activities and operational efficiency projects. For example, the Company is working to further consolidate purchasing initiatives in its surgical and retail and home medical equipment operations and has undertaken systems integration initiatives specifically aimed at its retail and home medical equipment operations.

Physiotherapy

The Company is currently evaluating proposed regulatory changes announced by the Ontario Ministry of Health in April 2013. Approximately 12% of consolidated revenues in 2012 were derived from services that may be impacted by these proposed regulatory changes. The Company is continuing its strategy to expand the number of beds serviced in retirement and long-term care homes through the Company's bundled services initiatives, ensuring the continued provision of quality care and outcomes to the seniors we serve. The Company also continues to focus on growth in the physiotherapy segment through organic expansion initiatives. Growth through the acquisition of additional physiotherapy clinics will only occur if the acquisition will be accretive to income and complementary to the Company's national network. A retail initiative which commenced within physiotherapy clinics in 2012 is continuing to grow in 2013 which should further grow the revenue and income of these operations. The Company also continues to further expand its preferred provider relationships with employers and other organizations.

Pharmacy

Revenues and EBITDA for the Company's pharmacy operations are expected to increase in the balance of 2013 due to organic growth through tenders for contracts, retail initiatives, bundled service offerings and maximizing the utilization of existing infrastructure. The Company's pharmacies are all currently located in Ontario and expansion of its pharmacy operations into other provinces is part of the Company's longer-term strategy. In 2013, plans for the pharmacy segment include expanding products and services to retirement and long-term care residents as a result of the acquisition of Class Med in October 2012. In addition, the Company expects to realize the benefits from the regulatory changes announced in the fall of 2012 by the Ontario government which expanded the scope of practice for pharmacists. The Company has incurred non-recurring costs in the first quarter of 2013 to implement Electronic Medication Administrative Records ("EMAR") for certain long-term care homes. Further costs associated with this implementation are expected in the second quarter of 2013 and Adjusted EBITDA should return to more historical levels in the third quarter of 2013.

Retail and Home Medical Equipment

Notwithstanding the slower start to the year than expected, the Company's retail and home medical equipment operation is expected to continue its growth in the balance of 2013. The Company is continuing to integrate Motion Specialties, including system upgrades which will further enhance the information available to the Company for decision making. The Company has a retail footprint in Canada which is focused in Ontario, Alberta and British Columbia. The Company's retail and home medical equipment operations are also key stakeholders in bundled service offerings to retirement and long-term care homes in Ontario. Motion Specialties continues to expand its respiratory sales and its "Drivers in Motion" program which are expected to further enhance this segment's Adjusted EBITDA in the balance of 2013. The Company has also completed strategic acquisitions of certain existing MEDIchair franchisees in the fourth quarter of 2012 and first quarter of 2013 in order to enhance the Company's corporate store footprint. The Company will only pursue further acquisitions where it will strategically expand the Company's existing platform.

Assessments

Revenues in the assessments segment was adversely affected by legislative changes surrounding automobile insurance coverage. Substantial efforts were made in 2011 and 2012 to reduce fixed costs and “right size” the business, including consolidating its operations in Ontario into fewer assessment centres in order to reduce excess overhead costs. The Company continues to position itself to increase its market share as it becomes increasingly challenging for smaller competitors to continue in this industry. The Company is continuing with growth initiatives in 2013 including increased brand awareness in the industry, enhanced bookings through technology and providing insurers and adjusters with value added reporting enhancements to assist in tracking outcomes.

Surgical and Medical

The financial results of the surgical and medical operations of the Company declined in the second half of 2012 and the first quarter of 2013 due to reduced surgical days given closures for vacations and renovations, and due to certain management changes in this segment. A search for an overall lead for this division with a track record of success in the surgical field has been initiated. The Sarnia operations have performed well below expectations since its acquisition which caused the Company to change its management in the fourth quarter of 2012. This management change included the departure of the primary surgeon for this location. The financial performance of the Sarnia location to improve is expected to improve, however new management will need to spend 2013 building this business and the full financial benefits of the management changes will not be realized until 2014. The Company is reviewing its current surgical compliment and looking at strategies to improve the overall performance of the segment. Efforts to expand the roster of physicians in order to utilize excess operating room capacity is also ongoing. The launch of specialized surgical centres of excellence and other initiatives including triage assessment programs, new treatment technologies and an extended patient choice network in the future which will partner Centric Health with some of Canada's leading surgeons. However, the Company only plans on launching these initiatives once a comprehensive and complete analysis has been completed in order to ensure that they are accretive to the Company within a reasonable period after their launch.

Selected Financial Information

The following selected financial information for the three month periods ended March 31, 2013 and 2012, has been derived from the unaudited interim consolidated financial statements for the three month periods ended March 31, 2013 and 2012, 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.

	For the three month periods ended March 31,		
	2013 **$**	**2012** **$**	**2011** **$**
Revenue	**113,281**	104,253	23,035
(Loss) income from operations	**(1,115)**	1,944	387
% of revenue	**(1.0)%**	1.9%	1.7%
Income (loss) before interest expense and income taxes	**9,716**	694	(1,767)
EBITDA[2]	**18,309**	7,010	(950)
Adjusted EBITDA[2]	**9,743**	11,779	2,195
Per share - Basic	**$0.08**	$0.11	$0.03
Per share - Diluted	**$0.05**	$0.09	$0.03
Adjusted EBITDA Margin	**8.6%**	11.3%	9.5%
Net income (loss)	**4,373**	(4,651)	(2,404)
Per share - Basic	**$0.04**	$(0.04)	$(0.03)
Per share - Diluted	**$0.02**	$(0.04)	$(0.03)
Cash flow from operations	**200**	(10,903)	(1,821)
Total assets	**485,362**	508,001	82,156
Total non-current liabilities	**290,853**	104,111	6,627

[2] Defined in Reconciliation of Non-IFRS Measures

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, Adjusted EBITDA, Adjusted EBITDA % and Adjusted EBITDA per share

The Company defines EBITDA as earnings before depreciation and amortization, interest expense, amortization of lease incentives, and income tax (recovery) expense. Adjusted EBITDA is defined as EBITDA before transaction and restructuring costs, change in fair value of contingent consideration liability, change in fair value of derivative financial instruments, (gain) loss on disposal of property and equipment and stock based compensation expense. Adjusted EBITDA % is defined as Adjusted EBITDA divided by revenue. Adjusted EBITDA per share is defined as Adjusted EBITDA divided by the weighted outstanding shares on both a basic and diluted basis. The Company believes that Adjusted EBITDA is a meaningful financial metric as it assists in the ability to measure cash generated from operations. EBITDA and Adjusted EBITDA are not recognized measures under IFRS.

EBITDA and Adjusted EBITDA have been determined as follows of the three month periods ended March 31, 2013 and 2012:

	For the three month periods ended March 31,	
	2013	2012
	$	$
Net income (loss)	**4,373**	(4,651)
Depreciation and amortization	**8,561**	6,233
Interest expense	**6,918**	5,070
Amortization of lease incentives	**32**	83
Income tax (recovery) expense	**(1,575)**	275
EBITDA	**18,309**	7,010
Transaction and restructuring costs	**523**	2,327
Change in fair value of contingent consideration liability	**(6,945)**	1,402
Stock-based compensation expense	**1,747**	1,148
Change in fair value of derivative financial instruments	**(3,886)**	(152)
(Gain) loss on disposal of property and equipment	**(5)**	44
Adjusted EBITDA	**9,743**	11,779
Basic weighted average number of shares	**123,990**	105,839
Adjusted EBITDA per share (basic)	**$0.08**	$0.11
Fully diluted weighted average number of shares	**179,423**	126,105
Adjusted EBITDA per share (diluted)	**$0.05**	$0.09

Results of Consolidated Operations for three month periods ended March 31, 2013 and 2012

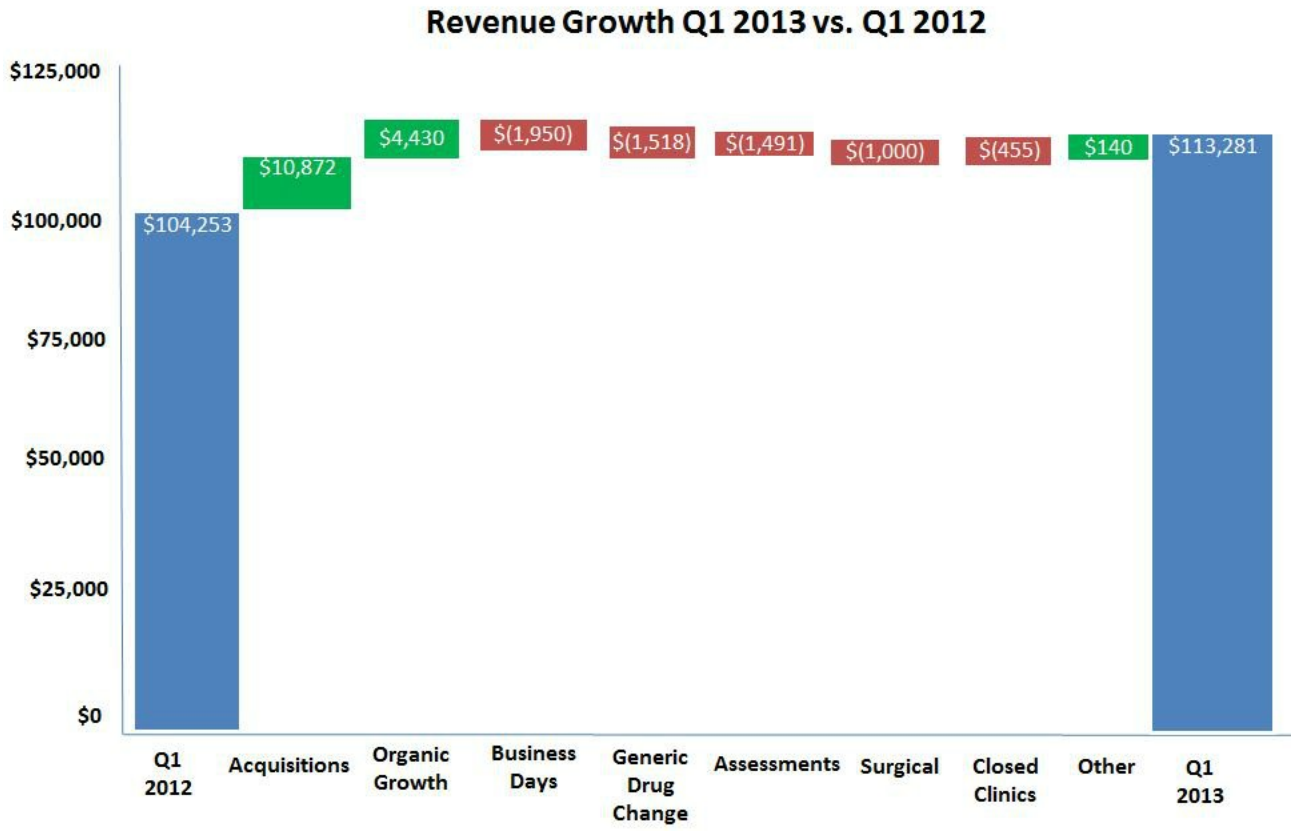
Revenues

The Company's revenue for the three month period ended March 31, 2013, increased by $9,028 to $113,281 as compared to the same period in the prior year. This increase was primarily due to :

- Acquisitions - purchase of Motion Specialties in February 2012 which increased revenue by $9,585 on a comparative basis in addition to physiotherapy clinics acquired in the first quarter of 2012 and retail and home medical equipment stores acquired in the fourth quarter of 2012 and the first quarter of 2013; and
- Organic growth - same store revenue growth of $4,430 in its physiotherapy, pharmacy and retail and home medical equipment segments.

Offsetting these increases were:

- Working days - two fewer working days in the current quarter as compared to the same period in the prior year resulting in decreased revenues of approximately $1,950;
- Pharmacy - a decrease in revenue of $1,518 as a result of certain high volume drugs becoming generic;
- Assessments - decrease of $1,491 due to a decline in referrals resulting from legislative changes in this segment;
- Surgical - a decline of approximately $1,000 mainly due to management changes at the Company's Sarnia location; and
- Physiotherapy - an impact of $455 from physiotherapy clinics that were closed since the first quarter of 2012.



Expenses

Most of the Company's costs have increased between the first quarter of 2013 as compared to the first quarter of 2012 due to the acquisition of Motion Specialties in February 2012.

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 pharmaceuticals and home medical equipment inventory sold. Cost of healthcare services and supplies for the three month period ended March 31, 2013, were $57,563 compared to $53,408 for the same period in the prior year. As a percentage of revenue, the cost of healthcare services

and supplies remained relatively consistent at 50.8% in the current period as compared to 51.2% in the comparable period in the prior year.

Employee costs include salaries and benefits of employees working directly in each business segment. For the three month period ended March 31, 2013, employee costs were $26,603 compared to $21,479 for the same period in the prior year. Of this increase, $4,712 of the employee costs are related to the acquisition of Motion Specialties. The Company realized cost savings from the reduction of its assessment workforce in the right-sizing of these operations, which was offset by increased head counts in revenue generating positions in the pharmacy and physiotherapy segments.

Other operating expenses include occupancy costs, insurance, communication, advertising and promotion and administrative expenses incurred at the operational level. Other operating expenses for the three month period ended March 31, 2013, were $15,555 compared to $13,568 in the comparable period in the prior year which is reflective of the Company's growth from the Motion Specialties acquisition.

Corporate office expenses include salaries and benefits, occupancy costs, insurance, communication, advertising and promotion and other costs of the corporate office. The corporate office supports human resources, finance and information technology as well as the executive management of the Company. Corporate expenses for the three month period ended March 31, 2013, were $3,849 compared to $4,102 for the three month period ended March 31, 2012. Corporate office expenses have improved from 3.9% of revenue for the three month period ended March 31, 2012 to 3.4% for the three month period ended March 31, 2013 as a result of the Company's right-sizing initiatives and the waiving of advisory fees from GHIS in the first quarter of 2013.

Depreciation and amortization increased by $2,328 to $8,561 for the three month period ended March 31, 2013 from $6,233 for the three month period 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 of Motion Specialties, Classic Care and Performance Medical Group.

Stock-based compensation expense, a non-cash expense, increased by $599 for the three month period ended March 31, 2013. These changes are due an increase in the fair value of stock-based compensation due to the issuance of additional stock options and restricted share units on a period over period basis.

Transaction and restructuring costs decreased by $1,804 to $523 for the three month period ended March 31, 2013 as compared to the prior year as costs have been incurred in the current quarter for the right-sizing of the Company's operations, including severance costs across the organization. The majority of costs incurred in the first quarter of 2012 related to completing the acquisitions of Motion Specialties and five physiotherapy clinics and severance costs related to the departure of the Company's former CEO. In the first quarter of 2013, the Company incurred transaction costs of $25 for one acquisition of a retail and home medical equipment store. The Company also incurred start-up costs of $99 and restructuring costs of $399 in the first quarter of 2013.

For the three month period ended March 31, 2013, **loss from operations**, expressed as revenue less cost of healthcare services and supplies, general and administrative expenses and transaction and restructuring costs was $1,115 or 1.0% of revenues. For the three month period ended March 31, 2012, income from operations was $1,944 or 1.9% of revenues. The adjusted EBITDA for the three month period ended March 31, 2013 was $9,743 as compared to $11,779 for the same period in the prior year. Adjusted EBITDA represented approximately 8.6% of revenue for the three month period ended March 31, 2013 as compared to approximately 11.3% for the comparable period in the prior year. This decline is mainly a result of low utilization of operating room capacity in the surgical segment and the inclusion of the results of Motion Specialties which are at lower margins. Within the surgical segment, there are considerable economies of scale as operating room capacity is maximized. As excess operating room capacity decreases in the future an improvement in margins in the surgical segment is anticipated. The margins for Motion Specialties which was acquired in February 2012 are lower than the Company's other operating segments which impacts on the Company's overall margin percentage.

Interest expense for the three month period ended March 31, 2013, was $6,918 as compared to $5,070 for the prior year. Interest expense excluding amortization and accretion expenses for the three month period ended March 31, 2013 was $5,500 as compared to $4,535 for the three month period ended March 31, 2012. Interest expense relates to the Term Loan and Revolving Facility arranged in June 2011, the distribution on preferred partnership units, the related party loan obtained in November 2010, the capital leases assumed in acquisitions and the convertible debentures issued in December 2011, February 2012, May 2012 and September

2012. The increase in interest expense is mainly be attributable to increased convertible borrowings as compared to the first quarter of 2012 and increase distributions for preferred partnership units.

	For the three month periods ended March 31,	
	2012	2011
	$	$
Interest on long-term loan and revolving facilities	**2,781**	2,608
Amortization of loan arrangement fees	**498**	390
Interest on related party amounts	**161**	75
Accretion of related party loan discounts	**109**	99
Interest on capital leases	**12**	29
Amortization of deferred gain on interest rate swap	**(20)**	—
Interest on convertible debt	**791**	163
Accretion on convertible debt	**831**	46
Interest expense before distributions for preferred partnership units	**5,163**	3,410
Distributions for preferred partnership units	**1,755**	1,688
Total interest expense	**6,918**	5,098
Interest income	**—**	(28)
Net interest expense	**6,918**	5,070

The **change in fair value of derivative financial instruments** of $3,886 for the three month period ended March 31, 2013 relates to the change in fair value of interest rate swaps during the period for which the Company has not formally designated as a hedging transaction and the change in fair value of the derivative liability component of convertible debt offerings.

For the three month period ended March 31, 2013, the Company recognized a gain on the **fair value of contingent consideration liabilities** of $6,945 as compared to a loss of $1,402 in the prior year. The Company is required to value contingent consideration liabilities pursuant to its business combination activities. 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 two main driving factors behind the gain in contingent consideration was the decline in the Company's share price from March 31, 2012 to March 31, 2013 and a change in the probability of Motion Specialties achieving stated performance targets.

The largest contingent consideration liability at March 31, 2013 relates to Motion Specialties which is subject to a three year earn-out period concluding on December 31, 2014. The earn-out agreement for Motion Specialties is based on a 1/3rd cash and 2/3rd common share issuance formula applying an average warranted EBITDA target of $10,000 over the earn-out period. In addition, the earn-out formula considers the impact of working capital and debt levels. During the three month period ended March 31, 2013, the Company reduced the probability with achieving stated performance targets from a 90% probability to a 50% probability for the second and third years of the earnout period. This decrease in probability is a result of Motion Specialties generating a working capital shortfall as compared to what had been projected as part of the earn-out agreement.

The earn-out period for the vendors of Classic Care ended on November 30, 2012. The Classic Care operations achieved the performance targets as outlined in the purchase agreement for this acquisition and as such the Company released 2,810,094 escrowed shares and 5,000,000 share purchase warrants to the vendors of Classic Care on February 12, 2013.

On March 15, 2013, the Company released 34,134 common shares to the vendors of London Scoping Centre as consideration for the first year of the earn-out agreement for this acquisition.

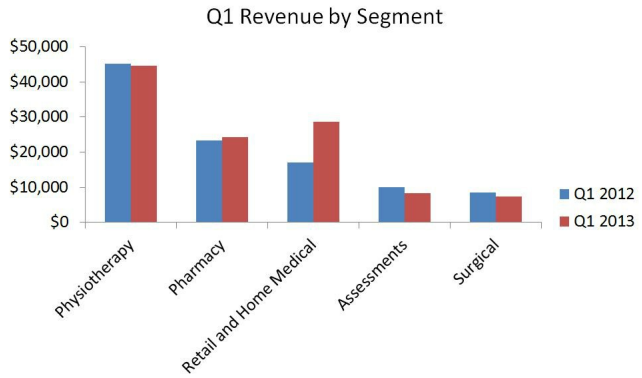
The first year earn-out period for Performance Medical Group ended on November 30, 2012 and Performance Medical Group did not achieve their specified performance targets. The Company had adjusted the probability of the first year performance targets being achieved to zero percent in the third quarter of 2012 based on the year to date results from these operations. As a result of employment arrangements with the vendor of Performance Medical Group, the Company released 1,500,000 escrowed shares on February 5, 2013 to the vendor of Performance Medical Group.

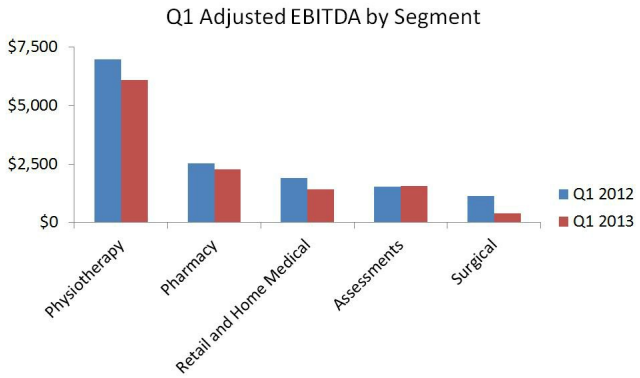
Income tax recovery was $1,575 for the three month period ended March 31, 2013 as compared to an income tax expense of $275 for the three month period ended March 31, 2012. The increase in the Company's recovery is mainly due to the Company generating loss carryforwards in certain legal entities. The Company has projected that it will generate taxable income in order to use these loss carryforwards, except for an unrecognized deferred tax asset of $3,500 which the Company has not recorded at March 31, 2013 in respect of certain non-capital losses. Income tax recovery is calculated at the statutory rate of approximately 25.4% 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.

Results of Segmented Operations

This section presents the results of operations for the three month periods ended March 31, 2013 and 2012 for the various operating segments of the Company. Operating segments, as reported to the Chief Operating Decision Makers ("CODM") are as follows: Physiotherapy, Pharmacy, Retail and Home Medical Equipment, Assessments and Surgical and Medical Centres. 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.

For the three month periods ended March 31,	**Revenue**		**Adjusted EBITDA**			
	2013 $	2012 $	**2013 $**	**%**	2012 $	%
Physiotherapy	**44,614**	45,125	**6,118**	**13.7**	6,974	15.5
Pharmacy	**24,278**	23,300	**2,281**	**9.4**	2,530	10.9
Retail and Home Medical Equipment	**28,679**	17,158	**1,460**	**5.1**	1,917	11.2
Assessments	**8,311**	10,124	**1,552**	**18.7**	1,521	15.0
Surgical and Medical Centres	**7,399**	8,546	**368**	**5.0**	1,135	13.3
Corporate	**—**	—	**(2,036)**	**—**	(2,298)	—
Total	**113,281**	104,253	**9,743**	**8.6**	11,779	11.3





Physiotherapy

The physiotherapy segment is comprised of 105 owned physiotherapy clinics and a network of 36 additional 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 of 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 468 retirement, assisted-living and long-term care homes with more than 50,000 residents operating primarily in the province of Ontario through its network of independent consultants.

Revenue for the physiotherapy segment decreased by $511 or 1% as compared to the first quarter of 2012. There were two fewer business days in the first quarter of 2013 as compared to the first quarter of 2012 which resulted in a decrease in revenue of approximately 3% and five physiotherapy clinics that were closed subsequent to the first quarter of 2012. These decreases were partially offset by same store revenue growth.

Adjusted EBITDA decreased from $6,974 to $6,118 for the three month periods ended March 31, 2013 and 2012. This decrease is mainly be attributed to two fewer business days in the current quarter as compared to the same period in the prior year and the closure of physiotherapy clinics in 2012.

Pharmacy

The Company has a retail and niche pharmacy network of 18 pharmacies that service 36 methadone treatment centres and pharmaceutical dispensing operations that service over 200 long-term care facilities with over 16,000 residents. The Company's script count has increased by 50,000 per month compared to the same time in the prior year.

Pharmacy revenues increased to $24,278 for the three month period ended March 31, 2013 as compared to $23,300 for the same period in the prior year, however Adjusted EBITDA decreased by $249 to $2,281 over the same period. The increase in revenue is a result of organic growth offset by a decrease related to lower prices for certain commonly prescribed drugs which now have a generic version available. The non-recurring impact to implement EMAR for certain long-term care homes was the main driver for the decrease in the Adjusted EBITDA between the first quarter of 2013 and 2012. The Company has incurred incremental personnel and up front hardware costs as part of the EMAR implementation. Costs associated with EMAR implementation are expected to subside by the fourth quarter of 2013.

Retail and Home Medical Equipment

The Company currently operates 145 retail and home medical locations across Canada through Motion Specialties, MEDIchair and Performance Medical Group. The following chart provides an overview of the Company's Retail and Home Medical Equipment segment.

Operations	Nature of Business	Locations
Motion Specialties	A leading home healthcare 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.	24
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.	8 corporate stores and 62 franchise locations
Performance Medical Group	Offers state-of-the-art custom orthotics, off-the-shelf orthotics, custom bracing, laser and shockwave therapy.	Over 50 locations

Revenue for the Retail and Home Medical segment for the three month period ended March 31, 2013 was $28,679 as compared to $17,158 for the three month period ended March 31, 2012. The main reason for the increase in this segment is the acquisition of Motion Specialties in the first quarter of 2012 which contributed $9,585 in incremental revenue to this segment as compared to the first quarter of 2012. In addition, there was an increase in same store revenue when comparing the first quarters of 2013 and 2012 and incremental revenue from the acquisition of retail and home medical equipment stores since March 31, 2012.

Despite the increase in revenue, Adjusted EBITDA for this segment for the three month period ended March 31, 2013 was $1,460 as compared to $1,917 in the first quarter of 2012. This decrease was due to higher salary costs related to a growth in the sales force for initiatives such as respiratory sales and "Drivers in Motion". Due to the nature of the retail and home medical equipment business, sales growth initiatives tend to translate into revenue and Adjusted EBITDA growth over a longer term period. This was partially offset by the impact of the acquisitions previously discussed which were accretive to Adjusted EBITDA.

Motion Specialties is the largest component of this segment which operates at lower margins. Prior to the acquisition of Motion Specialties in February 2012, the Adjusted EBITDA margin mainly included the royalty revenues earned from the MEDIchair franchises which have higher margins as compared to the margin on corporate stores. Revenue from Motion Specialties represented 80% of this segment for the first quarter of 2012, whereas it represents 89% of the segment in the first quarter of 2013.

Assessments

The Assessments segment is currently comprised of 5 assessment facilities across Canada. 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 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.

Revenue for Assessments decreased by $1,813 for the three month period ended March 31, 2013 as compared to the first quarter of 2012. This decrease in revenue is mainly attributable to fewer referrals on a comparative basis between the first quarters of 2013 and 2012. This decrease can be directly attributed to the impact of regulatory changes in the Ontario assessments industry.

Despite the decrease in revenue, Adjusted EBITDA marginally improved to $1,552 from $1,521 for the three month period ended March 31, 2013 and 2012, respectively. The Adjusted EBITDA margin increased to 18.7% from 15.0% over the comparative periods. This margin increase can be attributed to the Company's continuing efforts to re-engineer the operations and reduce its costs in response to regulatory reforms in the assessments segment. These efforts included a reduction in headcount and a consolidation in the number of assessment centres servicing clients.

Surgical and Medical Centres

The Company has seven 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, Centric Surgical Centre in Sarnia, Ontario, Windsor Endoscopy in Windsor, 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.

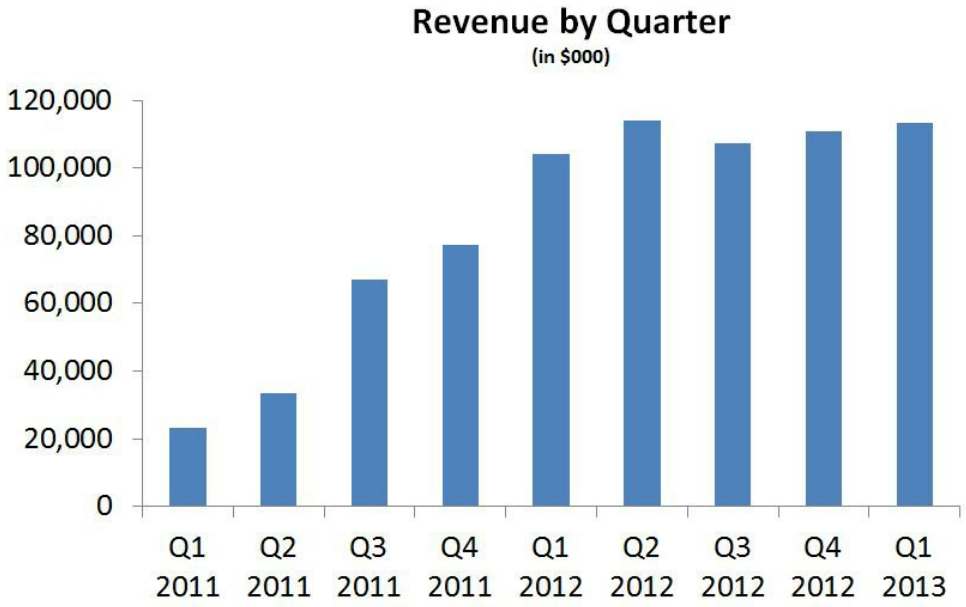
The Company's surgical centres offer a variety services which may include; primary care, executive medical, urgent care and diagnostic services, including CT and MRI scan capabilities. Surgical specialties include plastic, reconstructive, cosmetic, orthopedic, gynecology, urology, neurosurgery, bariatric,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

Revenue generated by the surgical and medical segment for the three month period ended March 31, 2013 was $7,399 as compared to $8,546 for the comparative period in the prior year. Adjusted EBITDA decreased from $1,135 to $368 over the comparable periods. These decreases can be mainly attributed to low utilization of operating room capacity and the impact of management changes at the Company's Sarnia location which included the departure of the primary revenue generating surgeon for this location. The Company is looking to strengthen underperforming surgical centres. Initiatives to reduce excess operating room capacity are also ongoing.

Summary of Quarterly Results

	4th Quarter ($)	3rd Quarter ($)	2nd Quarter ($)	1st Quarter ($)
Fiscal year 2013				
Revenue and other income				113,281
Adjusted EBITDA				9,743
Adjusted EBITDA per share				
Basic				0.08
Diluted				0.05
Net income				4,373 [3]
Earnings per share				
Basic				0.04
Diluted				0.02
Fiscal year 2012				
Revenue and other income	110,917	107,358	114,123	104,253
Adjusted EBITDA	9,591	9,008	12,454	11,779
Adjusted EBITDA per share				
Basic	0.08	0.08	0.11	0.11
Diluted	0.06	0.07	0.10	0.09
Net (loss) income	(38,530) [4]	(6,273) [5]	42,366 [6]	(4,651) [7]
(Loss) earnings per share				
Basic	(0.32)	(0.05)	0.38	(0.04)
Diluted	(0.32)	(0.05)	0.34	(0.04)
Fiscal year 2011				
Revenue and other income	77,265	67,096	33,596	23,035
Adjusted EBITDA	6,271	9,689	3,213	2,195
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) [8]	38,889 [9]	11,722 [10]	(2,034) [11]
(Loss) earnings per share				
Basic	(0.63)	0.47	0.15	(0.03)
Diluted	(0.63)	0.37	0.11	(0.03)

[3] The net income for the quarter ended March 31, 2013 includes $6,945 as a non-cash gain in net income representing the decrease in fair value of the contingent consideration liability and $523 of transaction and restructuring costs.
[4] The net income for the quarter ended December 31, 2012 includes $5,893 as a non-cash gain in net income representing the decrease in fair value of the contingent consideration liability, $27,421 of non-cash impairment charges and $2,780 of transaction and restructuring costs.
[5] The net income for the quarter ended September 30, 2012 includes $1,680 as a non-cash gain in net income representing the decrease in fair value of the contingent consideration liability and $3,861 of transaction and restructuring costs.
[6] The net income for the quarter ended June 30, 2012 includes $44,993 as a non-cash gain in net income representing the decrease in fair value of the contingent consideration liability and $2,454 of transaction and restructuring costs.
[7] 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.
[8] The net income for the quarter ended December 31, 2011 includes a non-cash gain of $2,562 representing the increase in fair value of the contingent consideration liability, non-cash impairment charges of $52,801 and $3,627 of transaction and restructuring costs.
[9] 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.
[10] 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.
[11] 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.



The Company has realized revenue growth in eight of the last nine quarters 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 accretive strategic acquisitions has resulted in revenues increasing by 8.7% for the first quarter of 2013 as compared to the first quarter of 2012. The Company's adjusted EBITDA margin declined from 11.2% for the three month period ended March 31, 2012 to 8.6% for the three month period ended March 31, 2013. This decline is mainly due to the margins for Motion Specialties being lower than the Company's existing operations. In addition, the Company's surgical division has faced some management changes in the second half of 2012. As these changes are being implemented, there have been fewer procedures performed in the surgical division. The margins for surgical procedures tend to be higher than the margins for most of the Company's other operations and thus the decrease in the number of surgical procedures performed has resulted in an overall decrease of the Company's adjusted EBITDA margin. The Company is actively seeking new physicians and launching new initiatives in order to utilize excess operating room capacity.

The volatility in net income (loss) quarter over quarter in the first quarter of 2013 and each quarter in 2012 and 2011 compared to previous quarters is largely due to the fluctuations in contingent consideration, transaction and restructuring costs and impairments. The Company is required to value the contingent consideration liabilities pursuant to its business combination activities. The Company's common share price has fluctuated significantly, affecting the quantum at which the contingent consideration liabilities are valued at the end of each reporting period. Transaction and restructuring costs are expensed as incurred. Transaction costs have increased proportionally with the size of the acquisitions completed, leading to increased charges against earnings in certain quarters in 2012 and 2011. Restructuring costs also increased in 2012 as the Company completed an initiative to right-size its assessment operations and also changed its President and Chief Executive Officer.

The Company's Adjusted EBITDA increased by $152 to $9,743 from the fourth quarter of 2012 to the first quarter of 2013. This increase is mainly a result of increased revenue over this period as the Company maintained a consisted Adjusted EBITDA margin of 8.6% over the two periods.

The Company's Adjusted EBITDA increased by $583 from the third quarter of 2012 to the fourth quarter of 2012. This increase was mainly a result of the Company realizing the benefit of its integration efforts. However, this increase was mitigated by a decline in Adjusted EBITDA for the surgical segment due to the closure of the surgical centers over the Christmas holiday period and due to the impact of management changes at the Company's surgical centre in Sarnia, Ontario.

The Company's Adjusted EBITDA declined by $3,446 to $9,008 for the third quarter of 2012. The decline in Adjusted EBITDA from the second quarter to the third quarter of 2012 can mainly be attributed to the reduction in surgeries in the surgical segment and a decrease in Adjusted EBITDA in the physiotherapy segment due to the seasonality associated with the Company's

physiotherapy clinics. During the summer months, patients tend to have fewer physiotherapy treatments and healthcare professionals tend to take personal vacations.

The Company's Adjusted EBITDA increased by $675 from the first quarter to the second quarter of 2012 due mainly to the inclusion of the results of Motion Specialties.

The Company's Adjusted EBITDA increased by $5,508 to $11,779 from the fourth quarter of 2011. This increase can be mainly attributed to the accretive earnings from Motion Specialties of $1,293 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.

Liquidity and Capital Resources

The Company's main working capital requirement relates to the financing of inventories and accounts receivable primarily from the MOHLTC, other government agencies, employers and insurance companies. These receivables totaled $64,077 at March 31, 2013. 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 had an initial limit of $160,000 and a term of four years ending in June 2015. The Term Loan accrues interest at variable rates based on prime, and interest is payable monthly, in arrears. The Company was required to make quarterly principal payments according to the terms of its borrowing agreement. 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 $10,000 overdraft 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. In February 2012, the Company used the accordion as part of its acquisition of Motion Specialties and as such had 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, 2013, the Company had borrowed $123,750 against the Term Loan and $56,440 against the Revolving Facility. The Company has made principal repayments of $3,750 against the Term Loan for the three month period ended March 31, 2013. 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. At March 31, 2013, the Company's Term Loan and Revolving Facility balances are presented as long-term liabilities except for any amounts which are scheduled to be repaid by the Company within the next twelve months.

On March 21, 2013, the Company amended its lending agreement with its senior lenders. In addition to other revisions, the Company amended certain financial performance covenants for the March 31, 2013 and June 30, 2013 measurement dates. The amended lending agreement revises the calculation of interest on a sliding scale ranging from prime plus 1.50% to prime plus 4.00% for principal borrowed and a range of 0.63% to 1.25% standby rate fee for amounts not borrowed. In addition, the fees incurred by the Company for the amended lending agreement varied based on whether and when the Company completed an alternative financing arrangement.

On April 18, 2013, the Company completed a $200,000 public offering of second lien senior secured notes which bear interest at 8.625% and mature on April 18, 2018. The second lien senior notes contain optional redemption features which are at the option of the Company commencing on April 18, 2016. The second lien senior secured notes include quarterly financial performance measurement covenants. The Company used the proceeds from this offering to repay its Term Loan, Revolving Credit Facility and $10,000 of preferred partnership units.

On April 18, 2013, the Company entered into an amended and restated credit agreement with its senior lenders. The amended and restated agreement revises the Company's Revolving Facility to a maximum borrowing limit of $50,000 which matures and is payable on June 9, 2015 and bears interest on a sliding scale from prime plus 1.5% to prime plus 3.75% for principal borrowed and a range of 0.63% to 1.19% for standby fees for amounts note borrowed. As part of the amended and restated agreement, the Company and its senior lenders also amended financial performance covenants for the remaining life of the agreement which concludes in June 2015. On April 18, 2013, the Company utilized $12,500 of the Revolving Facility to repay preferred partnership units.

The Company is subject to certain financial performance covenants as part of its banking agreement. The Company was in compliance with its financial performance covenants at March 31, 2013. The Company anticipates that, based on meeting its 2013 operating budget, it will generate sufficient cash flow from operations in 2013 to meet its obligations as they come due. To meet new financial performance covenants resulting from the April 2013 amended and restated agreement, the Company will be required to achieve a sensitivity adjusted 2013 operating budget which reflects an improvement over the Company's actual performance in 2012. There can be no assurance that the Company will be successful in achieving the results as set out in its operating plan.

In order to maintain or adjust its capital structure, the Company may seek additional financing through the issuance of new debt or equity securities, or by replacing existing debt with debt subject to more favorable terms.

Cash Flow

Cash flow activities for the three month period ended March 31, 2013 were as follows:

Operating Activities

For the three month period ended March 31, 2013, cash provided by operating activities was $200, compared to a use of $10,903 for the same period in 2012. In the first quarter of 2012, the Company undertook a strategic initiative 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 in the first quarter of 2012. Since this initiative, the Company has generated positive cash flows from operating activities for four consecutive quarters. In addition, included in operating activities are transaction and restructuring costs incurred of $523 for the three month period ended March 31, 2013. Cash provided by operating activities, exclusive of transaction and restructuring costs, was $723 for the three month period ended March 31, 2013.

Investing Activities

For the three month period ended March 31, 2013, the Company used $2,982 for investing activities as compared to $19,528 for the three month period ended March 31, 2012. This decrease in investing activities as compared to the prior year is due to the acquisition of Motion Specialties and five physiotherapy clinics in the first quarter of 2012.

Financing Activities

During the three month period ended March 31, 2013, the Company made scheduled repayments of $3,750 towards its Term Loan. For the three month period ended March 31, 2013, the Company borrowed an additional $10,963 from its revolving credit facilities. The Company paid $4,617 in cash interest on its borrowings for the three month period ended March 31, 2013.

Contractual Commitments

The Company's contractual commitments at March 31, 2013, are as follows:

	Total ($)	1 year ($)	2-3 years ($)	4-5 years ($)	Thereafter ($)
Term loan	123,750	14,750	109,000	—	—
Revolving facility	56,440	—	56,440	—	—
Operating leases	70,844	13,187	22,507	16,719	18,431
Preferred partnership units	65,500	—	65,500	—	
Interest payments on borrowings	16,701	7,425	9,276	—	—
Finance leases	950	749	201	—	—
	334,185	36,111	262,924	16,719	18,431

The Term Loan and Revolving Facility have been presented above in accordance with the repayment schedules with its lenders. On April 18, 2013, the Company completed a $200,000 public offering of second lien senior secured notes which bear interest at 8.625% and mature on April 18, 2018. The Company used the proceeds from this offering to repay its Term Loan, Revolving Credit Facility and $10,000 of preferred partnership units.

In addition, the Company has a contractual obligation to pay Alaris annual distributions on preferred partnership units. This amounts is currently $7,020 and increases at a rate of 4% each year. The principal amount grows at 4% annually from the third anniversary from the LifeMark closing on June 9, 2011. Redemption of the preferred partnership units cannot occur until after June 9, 2013. There is no obligation for the Company to redeem these units. Subject to agreements with senior lenders and the availability of financing at a lower interest rate, the Company intends to redeem the preferred partnership units prior to the third anniversary. On April 18, 2013, the Company repaid $22,500 of the preferred partnership 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. On April 18, 2013, the Company entered into an amended and restated credit agreement with its senior lenders. The amended and restated agreement revises the Company's Revolving Facility to a maximum borrowing limit of $50,000 which matures and is payable on June 9, 2015. On April 18, 2013, the Company utilized $12,500 of the revolving credit facility to repay preferred partnership units.

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 $53,388 in convertible debt from public and private offerings which principal and interest the Company can elect to 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.

Equity

As at March 31, 2013, the Company had total shares outstanding of 144,620,526. The outstanding shares include 18,686,853 shares which are restricted or 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 formulas specific to each transaction. Escrowed shares are not reflected in the shares reported on the Company's financial statements. Accordingly, for financial reporting purposes, the Company reported 125,933,673 common shares outstanding as at March 31, 2013 and 121,389,445 shares outstanding at December 31, 2012.

As a result of employment arrangements with the vendor of Performance Medical Group, the Company released 1,500,000 escrowed shares on February 5, 2013 to the vendor of Performance Medical Group.

The earn-out period for the vendors of Classic Care ended on November 30, 2012. The Classic Care operations achieved the performance targets as outlined in the purchase agreement for this acquisition and as such the Company released 2,810,094 escrowed shares and 5,000,000 share purchase warrants to the vendors of Classic Care on February 12, 2013.

On March 15, 2013, the Company released 34,134 common shares to the vendors of London Scoping Centre as consideration for the first year of the earn-out agreement for this acquisition.

On September 3, 2012, the Company issued 1,000,000 restricted shares to the Company's new CEO that vest over a four year period. On January 1, 2013, 200,000 of these restricted shares became freely tradeable.

As at March 31, 2013, there were a total of 10,099,500 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $1.33, expiring at various dates through 2017. The number of exercisable options at March 31, 2013, was 3,604,875 with a weighted average exercise price of $1.11.

As at March 31, 2013, there were 33,078,390 warrants outstanding. During the three month period ended March 31, 2013, in addition to the 5,000,000 warrants issued to the vendors of Classic Care, there were 498,200 warrants that expired.

Should all outstanding options and warrants that were exercisable at March 31, 2013 be exercised, the Company would receive proceeds of $24,994.

As at the date of this report, May 7, 2013, the number of shares outstanding, including escrowed shares, is 145,170,526; the number of options outstanding is 9,194,500; the number of warrants outstanding is 33,078,390; and the number of restricted share units outstanding is 610,000. Included in the shares outstanding are 18,686,853 restricted shares, shares held in escrow, or in trust, and are not freely tradable.

Transactions with Related Parties

Related party transactions, in addition to those entered into with Company directors and management, have been entered into with GHIS and entities controlled and related to the shareholders of GHIS including Jamon Investments LLC ("Jamon"), who own 36,098,976 shares or approximately 25% of the issued and outstanding common shares of the Company at March 31, 2013. This ownership percentage disclosed assumes the issuance of 18,686,853 escrowed and restricted shares in the total common shares considered to be outstanding.

On June 30, 2011, GHIS and the Company negotiated an amended consulting agreement which eliminated the 1% market capitalization and $20 monthly consulting fees and implemented a fixed annual fee of $1,200, to be paid monthly, and completion fees based on 0.5% of the enterprise value for completion of financing, mergers and acquisitions, subject to approval by the Board of Directors.

On March 21, 2013, subject to approval of the shareholders of the Company on May 9, 2013, GHIS and the Company negotiated an amended consulting agreement which eliminates the completion fee, removes the consulting fee for the year ended December 31, 2013, and amends the consulting fee to $75 per month from January 2014 to the completion of the agreement in June 2015. The Company expects to issue 4,802,311 common shares, which is an equivalent of $2,150 in common shares of the Company to GHIS, based on the five day value weighted average of the Company's share price immediately following the announcement of the Company's 2012 annual results. These common shares will be subject to a one year hold period unless the Company's Board of Directors approves an earlier release date. On March 21, 2013, GHIS waived their consulting fees for the fourth quarter of 2012. On May 7, 2013, GHIS waived their consulting fees for the first quarter of 2013.

For the three month period ended March 31, 2013, the Company incurred $11 (March 31, 2012 - $22) in GHIS travel and related expenses, $87 (March 31, 2012 - $75) in interest on related party amounts and $nil (March 31, 2012 - $450) in completion and advisory fees.

Included in trade payables and other amounts at March 31, 2013 and December 31, 2012 are $4,986 and 4,976, respectively, due to GHIS; and $74 and $76, respectively for interest payable to Jamon. The completion fees of $1,400 from the LifeMark acquisition and the financing fee of $2,800 related to specific 2011 financing activities are only due and payable to GHIS when it meets the conditions set out in the Credit Agreement between the Company and its senior lenders. Any outstanding consulting fees which are unpaid bear interest at 8% per annum.

Related party loans

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. In addition to the promissory note, Jamon was issued a warrant to purchase 1,000,000 common shares of the Company at an exercise price of $1.00 per share. The warrant expires on November 9, 2013.

During 2012, the Company entered into loan agreements with a director and an officer of the Company who were former LifeMark shareholders of $400. These loans bear interest at 3% and are repayable within one year and are included in the Company's trade and other receivables. At March 31, 2013, $272 of these loans has been repaid to the Company.

On September 3, 2012, the Company issued 1,000,000 restricted shares to the Company's CEO which vest over a four year period. Effective January 1, 2013, 200,000 of these restricted shares became freely tradeable.

Off-Balance Sheet Arrangements

As at March 31, 2013, the Company has no off-balance sheet arrangements.

Disclosure Controls and Procedures and Internal Control 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, 2013, 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 uses the COSO control framework to evaluate the design of DC&P and ICFR.

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, 2013, which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

Critical Accounting Estimates and Judgments

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. The Company also considers whether there are any triggers for impairment at each quarter end. 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.

The Company 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 goodwill or indefinite life intangible assets as at March 31, 2013. The Company completed a reconciliation between their market capitalization and the fair value of their CGUs in order to confirm the conclusion reached.

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.

Valuation of Deferred Tax Assets

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, except for an unrecognized deferred tax asset of $3,500 which the Company has not recorded for the three month period ended March 31, 2013 in respect of certain non-capital losses.

Accounting Changes

Effective January 1, 2013, the Company adopted the following accounting standards:

IFRS Standard 7, *Financial Instruments: Disclosures ("IFRS 7")* which has been amended to establish disclosure requirements to help users better assess the effect or potential effect of offsetting arrangements on a company's statement of financial position.

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

IFRS Standard 12, *Disclosure of Involvement with Other Entities* (“IFRS 12”) includes disclosure requirements about subsidiaries,

joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

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

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

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

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

The adoption of these standards did not impact the measurement of balances on the Company's condensed unaudited interim consolidated financial statements. The Company has included additional note disclosures, where applicable, in the condensed unaudited interim consolidated financial statements as a result of adopting these standards.

Effective January 1, 2013, the Company amended its policy for capitalizing surgical inventory. The Company will now include in inventory all surgical inventory irrespective of initial cost, whereas previously the Company expensed any individual surgical items with a value less than $500 (actual dollars). As a result of changing this accounting policy, the Company has increased its opening inventory and retained deficit balances by $765.

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 healthcare 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 workers compensation boards, government agencies, employers, insurance companies and patients.

Acquisitions and Integration

The Company expects 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.

Proposed Transactions

Please see subsequent events for proposed transactions.

Subsequent Events

On April 18, 2013, the Company completed a $200,000 public offering of second lien senior secured notes which bear interest at 8.625% and mature on April 18, 2018. The second lien senior notes contain optional redemption features which are at the option of the Company commencing on April 18, 2016. The second lien senior secured notes include quarterly financial performance measurement covenants. The Company used the proceeds from this offering to repay its Term Loan, Revolving Facility and $10,000 of preferred partnership units.

On April 18, 2013, the Company entered into an amended and restated credit agreement with its senior lenders. The amended and restated agreement revises the Company's Revolving Facility to a maximum borrowing limit of $50,000 which matures and is payable on June 9, 2015 and bears interest on a sliding scale from prime plus 1.5% to prime plus 3.75% for principal borrowed and a range of 0.63% to 1.19% for standby fees for amounts note borrowed. The amended and restated revolving credit agreement includes quarterly financial performance measurement covenants. On April 18, 2013, the Company utilized $12,500 of the Revolving Facility to repay preferred partnership units.

Additional Information

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

Unaudited Interim Consolidated Financial Statements
For the three month periods ended March 31, 2013 and 2012

(in thousands of Canadian dollars)

Dated: May 7, 2013

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Centric Health Corporation
Unaudited Interim Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	**March 31, 2013**	December 31, 2012 (Restated - note 1)
	$	$
Assets		
Current assets		
Cash and cash equivalents	**115**	594
Trade and other receivables	**64,077**	58,325
Inventories (note 4)	**28,980**	27,729
Income taxes recoverable	**—**	187
Prepaid expenses and deposit	**2,616**	2,258
	95,788	89,093
Non-current assets		
Property and equipment (note 7)	**25,273**	25,002
Goodwill and intangible assets (note 7)	**347,062**	353,720
Deferred income tax assets (note 10)	**16,651**	18,285
Loans receivable	**380**	444
Investments in franchisees	**208**	208
Total assets	**485,362**	486,752
Liabilities		
Current liabilities		
Trade payables and other amounts (notes 12 and 13)	**65,318**	66,186
Current portion of borrowings (note 8)	**19,435**	19,576
Current portion of finance lease liabilities	**749**	911
Current portion of contingent consideration (note 6)	**3,854**	5,389
Income taxes payable	**1,743**	—
	91,099	92,062
Non-current liabilities		
Borrowings (note 8)	**194,226**	184,612
Preferred partnership units (note 9)	**65,500**	65,500
Contingent consideration (note 6)	**3,197**	11,580
Finance lease liabilities	**201**	256
Deferred income tax liabilities (note 10)	**21,079**	26,932
Deferred lease incentives	**2,126**	1,472
Derivative liability portion of convertible borrowings (note 8)	**3,551**	8,409
Derivative financial instruments (note 8)	**973**	823
Total liabilities	**381,952**	391,646
Equity		
Share capital (note 14)	**94,914**	92,201
Warrants	**6,650**	6,256
Contributed surplus	**8,853**	7,928
Equity portion of convertible borrowings	**6,498**	6,498
Accumulated other comprehensive income (loss)	**181**	201
Retained deficit	**(14,532)**	(18,731)
Equity attributable to shareholders of Centric Health Corporation	**102,564**	94,353
Non-controlling interests	**846**	753
Total equity	**103,410**	95,106
Total liabilities and equity	**485,362**	486,752

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

Centric Health Corporation
Unaudited Interim Consolidated Statements of Income and Comprehensive Income

(in thousands of Canadian dollars, except per share amounts)

	For the three month periods ended March 31,	
	2013	2012
	$	$
Revenue	**113,281**	104,253
Cost of healthcare services and supplies	**57,563**	53,408
General and administrative expenses (note 3)	**56,310**	46,574
Transaction and restructuring costs (note 5)	**523**	2,327
(Loss) income from operations	**(1,115)**	1,944
Interest expense (note 11)	**6,918**	5,070
Change in fair value of derivative financial instruments (note 8)	**(3,886)**	(152)
Change in fair value of contingent consideration liability (note 6)	**(6,945)**	1,402
Income (loss) before income taxes	**2,798**	(4,376)
Income tax (recovery) expense (note 10)	**(1,575)**	275
Net income (loss)	**4,373**	(4,651)
Other comprehensive income:		
Amortization of deferred gain on interest rate swaps	**(20)**	—
Change in fair value of interest rate swaps designated as hedges (note 8)	**—**	(1,121)
Comprehensive income (loss)	**4,393**	(3,530)
Net income (loss) attributable to:		
Shareholders of Centric Health Corporation	**4,199**	(4,736)
Non-controlling interests	**174**	85
Comprehensive income (loss) attributable to:		
Shareholders of Centric Health Corporation	**4,219**	(3,615)
Non-controlling interests	**174**	85
Basic earnings (loss) per common share	**$0.04**	($0.04)
Diluted earnings (loss) per common share	**$0.02**	($0.04)
Weighted average number of common shares outstanding (in thousands) (note 14)		
Basic	**123,990**	105,839
Diluted	**179,423**	126,105

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

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

	Number of shares[1]	Amount $	Warrants $	Contributed surplus $	Equity portion of convertible borrowings $	AOCI[2] $	Retained earnings (deficit) $	Equity attributable to the shareholders of Centric Health Corporation $	Non-controlling interest $	Total $
Balance at December 31, 2011	**98,220,254**	**62,525**	**4,593**	**4,259**	**843**	**(73)**	**(12,238)**	**59,909**	**481**	**60,390**
Options exercised	37,500	28	—	(12)	—	—	—	16	—	16
Public offerings	463,163	581	311	—	—	—	—	892	—	892
Shares issued on acquisition	3,597,632	6,140	—	—	—	—	—	6,140	—	6,140
Shares released from the escrow or issued as contingent consideration	10,127,956	16,205	—	—	—	—	—	16,205	—	16,205
Issuance of common shares	450,000	482	—	—	—	—	—	482	—	482
Change in fair value of interest rate swaps	—	—	—	—	—	1,121	—	1,121	—	1,121
Deferred compensation expense	—	—	—	1,148	—	—	—	1,148	—	1,148
Non-controlling interest purchase price allocation adjustment	—	—	—	—	—	—	—	—	(398)	(398)
Net (loss) income for the year	—	—	—	—	—	—	(4,736)	(4,736)	85	(4,651)
Balance at March 31, 2012	**112,896,505**	**85,961**	**4,904**	**5,395**	**843**	**1,048**	**(16,974)**	**81,177**	**168**	**81,345**
Balance at December 31, 2012 (restated - note 1)	121,389,445	92,201	6,256	7,928	6,498	201	(18,731)	94,353	753	95,106
Shares released from escrow and warrants issued as contingent consideration	2,844,228	1,617	668	—	—	—	—	2,285	—	2,285
Shares released from escrow for compensation	1,500,000	915	—	—	—	—	—	915	—	915
Expiry of warrants	—	—	(297)	297	—	—	—	—	—	—
Amortization of deferred gain on interest rate swap	—	—	—	—	—	(20)	—	(20)	—	(20)
Deferred compensation expense	200,000	181	23	628	—	—	—	832	—	832
Payments to non-controlling interests	—	—	—	—	—	—	—	—	(81)	(81)
Net income for the period	—	—	—	—	—	—	4,199	4,199	174	4,373
Balance at March 31, 2013	**125,933,673**	**94,914**	**6,650**	**8,853**	**6,498**	**181**	**(14,532)**	**102,564**	**846**	**103,410**

[1] Excludes 18,686,853 of contingent shares held in escrow and restricted shares at March 31, 2013 (note 14).

[2] AOCI – Accumulated other comprehensive income (loss). Balances have been or will be reclassified to net income when appropriate.

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

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

	For the three month periods ended March 31,	
	2013	2012
	$	$
Cash provided by (used in):		
Operating activities		
Net income (loss) for the year	**4,373**	(4,651)
Adjustments for:		
Interest expense	**6,918**	5,070
Change in fair value of derivative financial instruments	**(3,886)**	(152)
Amortization of deferred gain on interest rate swap	**(20)**	—
(Gain) loss on disposal of property and equipment	**(5)**	44
Depreciation of property and equipment	**1,749**	1,621
Amortization of finite-life intangible assets	**6,812**	4,612
Amortization of lease incentives	**32**	83
Leasehold inducements	**622**	51
Income taxes paid	**(232)**	(2,722)
Income tax (recovery) expense	**(1,575)**	275
Stock-based compensation expense	**1,747**	1,148
Change in the fair value of contingent consideration liability	**(6,945)**	1,402
Net change in non-cash working capital items (note 19)	**(9,390)**	(17,684)
Cash provided by (used in) operating activities	**200**	(10,903)
Investing activities		
Purchase of intangible assets	**(130)**	(233)
Purchase of property and equipment	**(2,017)**	(1,458)
Acquisition of businesses (note 5)	**(211)**	(17,535)
Payment of contingent consideration (note 6)	**(688)**	(346)
Decrease in loans receivable from franchisees	**64**	44
Cash used in investing activities	**(2,982)**	(19,528)
Financing activities		
Interest paid	**(4,617)**	(4,563)
Repayment of borrowings	**(3,750)**	(3,125)
Proceeds from term loan and revolver, net of loan arrangement costs	**10,963**	35,734
Repayment of finance leases	**(217)**	(361)
Payments to non-controlling interests	**(81)**	—
Proceeds on disposal of property and equipment	**5**	—
Issuance of common shares, warrants and convertible debt, net of issuance costs	**—**	2,745
Cash provided by financing activities	**2,303**	30,430
Decrease in cash and cash equivalents	**(479)**	(1)
Cash and cash equivalents, beginning of year	**594**	407
Cash and cash equivalents, end of year	**115**	406

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

1. Significant Accounting Policies

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.

These condensed unaudited interim consolidated financial statements for the three months ended March 31, 2013 and 2012 have been prepared 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"). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have not been included or have been condensed. The unaudited interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS.

These financial statements were approved by the Board of Directors on May 7, 2013.

The accounting policies applied in these unaudited interim consolidated financial statements are consistent with the significant accounting policies used in the preparation of the annual consolidated financial statements for the year ended December 31, 2012, except as described below. The Company's accounting 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 total annual earnings.

Adoption of new accounting standards

Effective January 1, 2013, the Company adopted the following accounting standards:

IFRS Standard 7, *Financial Instruments: Disclosures ("IFRS 7")* which has been amended to establish disclosure requirements to help users better assess the effect or potential effect of offsetting arrangements on a company's statement of financial position.

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

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

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

1. Significant Accounting Policies - continued

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

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

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

The adoption of these standards did not impact the measurement of balances on the Company's condensed unaudited interim consolidated financial statements. The Company has included additional note disclosures, where applicable, in the unaudited interim consolidated financial statements as a result of adopting these standards.

Change in accounting policy

Effective January 1, 2013, the Company amended its policy for capitalizing surgical inventory. The Company will now include in inventory all surgical inventory irrespective of initial cost, whereas previously the Company expensed any individual surgical items with a value less than $500 (actual dollars). As a result of changing this accounting policy, the Company has increased its opening inventory and retained deficit balances by $765.

New accounting standards that have been issued but are not yet effective

The impact of new standards, amendments to standards, and interpretations that have been issued but are not yet effective for financial periods ending before or on December 31, 2013 that have not been early adopted are discussed in the Company's annual financial statements for the year ended December 31, 2012.

2. Capital Management and Financing

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, warrants and the stock option component of its shareholders' equity as well as its Term and Revolving Credit facilities, convertible debts, preferred partnership units and contingent consideration. 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. In order to maintain or adjust its capital structure, the Company may seek financing through the issuance of new debt or equity securities, or by replacing existing debt with debt on terms more consistent with the Company's needs.

2. Capital Management and Financing - continued

The Company forecasts cash flows for its current and subsequent fiscal years to project future financial requirements. In anticipation of changes in the Company's capital requirements in 2012 and 2013, on October 21, 2011, the Company filed a base shelf prospectus. The base shelf prospectus provides for the Company to raise new capital through the issuance of up to $265,500 in convertible debt securities, common shares or share purchase warrants.

The Company completed prospectus supplements under this base shelf prospectus or private placements as follows:

- in the fourth quarter of 2011 and the first quarter of 2012, the Company completed a prospectus supplement for the issuance of units for gross proceeds of $13,610;
- in May 2012, the Company completed a private placement for $15,000 of subordinated, unsecured convertible notes;
- in September 2012, the Company completed a prospectus supplement for the issuance of convertible notes for gross proceeds of $27,500; and
- in April 2013, the Company completed a prospectus supplement for the issuance of second lien senior secured notes for gross proceeds of $200,000.

The net proceeds from the April 2013 financing were used to repay the Company's Term Loan and Revolving Facility and to repay $10,000 of the $65,500 preferred partnership units. In addition, the Company amended and restated the existing credit agreement to provide a new Revolving Facility with a limit of $50,000. The Company repaid an additional $12,500 of preferred partnership units through an equivalent draw on the new Revolving Facility. The new Revolving Facility includes amended financial performance covenants through to its maturity in June 2015. Further details of these transaction are discussed in notes 8 and 9.

The Company was subject to certain financial covenants under its previous Term Loan and Revolving Facility. As described in note 8, the Company and its lenders made amendments to the financial performance covenants in the first and second quarters of 2013 based on actual results for 2012 and an operating budget for 2013. The Company was in compliance with its financial performance covenants at March 31, 2013.

The Company anticipates that, based on meeting its 2013 operating budget, it will generate sufficient cash flow from operations in 2013 to meet its obligations as they come due.

3. General and Administrative Expenses

The components of general and administrative expenses are as follows:

	For the three month periods ended March 31,	
	2013	2012
	$	$
Employee costs	**26,603**	21,479
Other operating expenses	**15,555**	13,568
Corporate office expenses	**3,849**	4,102
Depreciation and amortization	**8,561**	6,233
Stock-based compensation expense	**1,747**	1,148
(Gain) loss on disposal of property and equipment	**(5)**	44
	56,310	46,574

4. Inventories

The Company's inventory balances as at March 31, 2013 and December 31, 2012 consisted of the following:

	March 31, 2013	December 31, 2012 (Restated - note 1)
	$	$
Retail and home medical equipment	**23,197**	22,232
Medical supplies and prescription drugs	**5,783**	5,497
	28,980	27,729

There were no reversal of inventory provisions for the three month periods ended March 31, 2013 and 2012. Inventories are pledged as security as part of the Company's lending agreements as outlined in note 8.

5. Business Combinations

On January 4, 2013, the Company acquired the assets of a retail and home medical equipment store for cash consideration of $187. The identifiable acquired assets were inventory of $184 and property and equipment of $3.

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 and start-up costs for new initiatives, are expensed as incurred. Transaction costs for the three month period ended March 31, 2013 were $25 (March 31, 2012 - $954). Start-up costs for new initiatives are costs incurred by the Company for a new business initiative prior to this initiative generating any revenue. Start-up costs for new initiatives for the three month period ended March 31, 2013 were $99. (March 31, 2012 - $nil).

5. Business Combinations - continued

Restructuring costs for the three month period ended March 31, 2013 includes costs associated with closed assessment centers and clinic locations and other staffing reductions. Restructuring costs for the three month period ended March 31, 2013 were $399 (March 31, 2012 - $1,373).

At March 31, 2013, the Company had accrued liabilities related to restructuring costs of $3,304 (December 31, 2012 - $4,632) included in trade and other payables consisting of the following:

	Severance $	Closed Locations $	Other $	Total $
Balance at December 31, 2012	2,633	1,567	432	4,632
Additions and reversals	374	81	(56)	399
Payments	(1,234)	(132)	(361)	(1,727)
Balance at March 31, 2013	**1,773**	**1,516**	**15**	**3,304**

2012 Acquisitions

The purchase price and fair value of the net assets acquired for the Company's 2012 acquisitions are as follows:

Purchase price	Motion Specialties $	Physiotherapy Clinics $	Retail and Home Medical Stores $	Pharmacy $	Total $
Cash consideration	13,896	2,727	2,274	450	19,347
Common shares	5,977	163	—	—	6,140
Contingent consideration	21,034	1,603	125	—	22,762
	40,907	4,493	2,399	450	48,249

Fair value of net assets acquired	Motion Specialties $	Physiotherapy Clinics $	Retail and Home Medical Stores $	Pharmacy $	Total $
Current assets	35,706	566	1,504	362	38,138
Property and equipment	3,793	311	100	7	4,211
Goodwill	13,410	3,297	1,066	358	18,131
Intangibles	17,086	735	—	—	17,821
Deferred tax liabilities	(3,280)	(169)	—	—	(3,449)
Other non-current assets	—	21	—	—	21
Less: liabilities assumed	25,808	268	271	277	26,624
	40,907	4,493	2,399	450	48,249

Included in current assets for Motion Specialties are accounts receivable of $18,542 and inventory of $16,389. The purchase price allocations for Motion Specialties and Physiotherapy clinics are final. The purchase price for the retail and home medical stores and pharmacy acquisitions are preliminary in nature as the Company has yet to finalize the valuation of any intangible assets identified from these acquisitions. During the three month period ended March 31, 2013, the Company recorded adjustments of $24 to goodwill for 2012 acquisitions in finalizing purchase price allocations.

6. Contingent Consideration

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

Acquired entity	Acquisition date	Performance term	Contingent Cash Consideration $	Issuable common shares	Issuable outperformance warrants[3]	Range of value of contingent consideration $	Probability to achieve contingent consideration cash and common shares	Contingent consideration liability at March 31, 2013 $
Blue Water	Aug. 17, 2011	3 years	—	6,153,846	3,076,923	0 – 1,541	0%	—
Performance	Dec. 8, 2011	2 years	—	3,000,000	2,000,000	0 – 1,163	0%	—
Motion Specialties	Feb. 13, 2012	3 years	15,000	9,004,641	7,500,000	0 – 12,353	50%	5,817
Other	Various	3 years	498	4,387,760	2,035,934	0 – 1,507	0% - 100%	1,234
Total			**15,498**	**22,546,247**	**14,612,857**	**0 – 16,564**		**7,051**

[3] The issuable outperformance warrants will only be issued to the vendors of the transaction to the extent that the acquired business outperforms their warranted earnings before interest taxes depreciation and amortization as established in the respective transaction agreements.

The maximum possible contingent consideration is an estimate. For the purposes of the disclosure above, the maximum possible contingent consideration has been valued at $16,564 based on the share price of the Company's common shares on March 31, 2013 ($0.48 per share) less a discount to reflect that the shares are not freely tradable.

On February 12, 2013, the Company released 2,810,094 common shares and 5,000,000 share purchase warrants to the vendors of Classic Care Pharmacy Corporation.

On March 15, 2013, the Company released 34,134 common shares to the vendors of London Scoping Centre as consideration for the first year of the earn-out agreement for this acquisition.

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

	Classic Care $	Motion Specialties $	Other $	Total $
Balance at December 31, 2012:	2,618	11,980	2,371	16,969
Change in fair value during the period	(348)	(6,163)	(434)	(6,945)
Contingent consideration settled in shares	(1,602)	—	(15)	(1,617)
Contingent consideration settled in warrants	(668)	—	—	(668)
Contingent consideration settled in cash	—	—	(688)	(688)
Total contingent consideration	**—**	**5,817**	**1,234**	**7,051**
Less: current portion	**—**	**2,882**	**972**	**3,854**
Non-current portion at March 31, 2013	**—**	**2,935**	**262**	**3,197**

The above table includes contingent consideration payable in cash, subject to achieving performance milestones, in the amount of $5,069 at March 31, 2013 of which $2,717 may be payable within one year.

7. Goodwill, Intangible Assets and Property and Equipment

	Goodwill $	Intangible Assets $	Total $	Property and Equipment
Year ended December 31, 2011	205,295	156,818	362,113	20,586
Additions	—	331	331	7,928
Acquisitions	18,179	17,821	36,000	4,211
Finance leases	—	—	—	188
Disposals	—	—	—	(432)
Purchase price allocation adjustment	10,559	378	10,937	(378)
Amortization	—	(28,340)	(28,340)	(7,101)
Impairment	(20,688)	(6,633)	(27,321)	—
Year ended December 31, 2012	**213,345**	**140,375**	**353,720**	**25,002**
Additions	—	130	130	2,017
Acquisitions	—	—	—	3
Disposals	—	—	—	—
Purchase Price Allocation	24	—	24	—
Amortization	—	(6,812)	(6,812)	(1,749)
Three month period ended March 31, 2013	**213,369**	**133,693**	**347,062**	**25,273**
As at December 31, 2012				
Cost	284,033	190,672	474,705	38,460
Accumulated amortization and impairment	(70,688)	(50,297)	(120,985)	(13,458)
Net carrying value	**213,345**	**140,375**	**353,720**	**25,002**
As at March 31, 2013				
Cost	**284,057**	**190,802**	**474,859**	40,480
Accumulated amortization and impairment	**(70,688)**	**(57,109)**	**(127,797)**	(15,207)
Net carrying value	**213,369**	**133,693**	**347,062**	**25,273**

The Company has $14,572 of indefinite life intangible assets at March 31, 2013 (December 31, 2012 - $14,572).

8. Borrowings

Borrowings consist of the following:

	March 31, 2013	December 31, 2012
	$	$
Term Loan	**123,750**	127,500
Loan arrangement costs[4]	**(4,704)**	(5,202)
Revolving Facility	**56,440**	45,477
Convertible debt	**53,388**	53,388
Unaccreted discount on convertible debt	**(19,180)**	(20,011)
Fair value of redemption feature[5]	**(718)**	(1,540)
Related party convertible loan (note 13)	**5,000**	5,000
Unaccreted discount on related party convertible loan (note 13)	**(315)**	(424)
Total borrowings	**213,661**	204,188
Less: current portion of borrowings	**19,435**	19,576
Total non-current borrowings	**194,226**	184,612

[4] Included in loan arrangement costs, which are being amortized over the life of the Term Loan, are financing fees associated which GHIS as described in note13.
[5] Fair value of redemption feature is an embedded derivative in the private placement which is netted against the debt amount for presentation purposes.

The Term Loan and Revolving Facility are subject to covenant tests to be performed at each reporting date. On December 28, 2012, the Company amended its lending agreement with its senior lenders and as part of these amended lending agreements, the Company amended certain financial performance covenants for the December 31, 2012 measurement dates. The amended lending agreements revise the calculation of interest 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.

On March 21, 2013, the Company made further amendments to its lending agreement with its senior lenders. In addition to other revisions, the Company amended certain financial performance covenants for the March 31, 2013 and June 30, 2013 measurement dates. The amended lending agreement revises the calculation of interest on a sliding scale ranging from prime plus 1.50% to prime plus 4.00% for principal borrowed and a range of 0.63% to 1.25% standby rate fee for amounts not borrowed. In addition, the fees incurred by the Company for the amended lending agreement varied based on whether and when the Company completed an alternative financing arrangement.

At March 31, 2013, the Company's Term Loan and Revolving Facility balances are presented as long-term liabilities except for any amounts which are scheduled to be repaid by the Company within the next twelve months.

On April 18, 2013, the Company completed a $200,000 public offering of second lien senior secured notes which bear interest at 8.625% with the principal due on April 18, 2018. The second lien senior notes contain certain redemption features which are at the option of the Company commencing on April 18, 2016. The second lien senior secured notes include certain restrictions on the Company's ability to take on additional indebtedness based on its financial performance. The Company used the proceeds from this offering to repay its Term Loan and Revolving Facility and repay $10,000 of preferred partnership units.

8. Borrowings - continued

On April 18, 2013, the Company entered into an amended and restated credit agreement to establish a new Revolving Facility with a maximum borrowing limit of $50,000 and matures on June 9, 2015. The new Revolving Facility bears interest on a sliding scale from prime plus 1.5% to prime plus 3.75% for principal borrowed and a range of 0.63% to 1.19% for standby fees for amounts note borrowed. The new Revolving Facility includes quarterly financial performance measurement covenants. On April 18, 2013, the Company utilized $12,500 of the new Revolving Facility to repay preferred partnership units.

Substantially all of the Company's assets are pledged as security for the above borrowings with first security provided to the lenders of the Revolving Credit Facility, followed by holders of the second lien senior secured notes.

The Company's convertible debt at March 31, 2013, excluding related party convertible debt, consists of the following:

Debt instrument	Principal $	Maturity	Interest Rate
Directed share program	10,888	December 22, 2016	6.00%
Private placement	15,000	April 30, 2016	5.50%
Public debt	27,500	October 31, 2017	6.75%
	53,388		

The continuity of the unaccreted discount on convertible debt is as follows:

	For the three month period ended March 31, 2013 $	For the year ended December 31, 2012 $
Unaccreted discount on convertible borrowings, beginning of year	**20,011**	3,761
Additional discounts from convertible debt	**—**	18,179
Accretion expense	**(831)**	(1,929)
Unaccreted discount on convertible borrowings	**19,180**	20,011

The Company entered into interest rate swap agreements with face values of $75,000, $25,000 and $13,924. The interest rate swaps for $75,000 and $25,000 mature in June 2015 and have previously been designated as effective hedges. The Company de-designated these swaps as effective hedges on July 1, 2012 and as a result all future changes in the fair value of these swaps will be included as part of the statements of comprehensive income. The accumulated other comprehensive income balance related to these interest rate swaps will be amortized to the statement of comprehensive income over the remaining life of the interest rate swaps. The interest rate swap for $13,924 matures in March 2015 and has not been designated as an effective hedge. At March 31, 2013, 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. On April 18, 2013, the Company settled the interest rate swaps with face values of $75,000 and $13,924 for $966.

8. Borrowings - continued

The change in fair value of derivative financial instruments for the three month periods ended March 31, 2013 and 2012 are as follows:

	For the three month periods ended March 31,	
	2013	2012
	$	$
Change in fair value of interest rate swaps	**150**	(152)
Change in fair value of redemption feature	**822**	—
Change in fair value of derivative liability portion of convertible borrowings	**(4,858)**	—
	(3,886)	(152)

The continuity of the derivative financial instruments is as follows:

	For the three month period ended March 31, 2013	**For the year ended December 31, 2012**
	$	**$**
Derivative financial instruments, beginning of year	**823**	1,812
Change in fair value of interest rate swaps	**150**	(675)
Change in fair value of interest rate swaps designated as hedges	**—**	(314)
Derivative financial instruments, end of year	**973**	823

The continuity of the derivative liability portion of convertible borrowings is as follows:

	For the three month period ended March 31, 2013	**For the year ended December 31, 2012**
	$	**$**
Derivative liability portion of convertible borrowings, beginning of year	**8,409**	1,603
Directed share program[6]	**—**	432
Public debt[6]	**—**	9,246
Change in fair value of derivative liability portion of convertible borrowings	**(4,858)**	(2,872)
Derivative liability portion of convertible borrowings, end of year	**3,551**	8,409

[6] Balances are net of transaction costs.

8. Borrowings - continued

The fair value of the derivative liability portion of convertible borrowings is based on a modified Black-Scholes valuation method. The key valuation assumptions at March 31, 2013 are as follows:

	Directed share program	Public debt	Private placement redemption feature
Expected volatility	53.10%	53.10%	53.10%
Risk-free interest rate	1.53%	1.64%	1.45%
Credit spread	17.33%	17.33%	17.33%

9. 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 Company is currently in the second year of the agreement and is paying Alaris an annual distribution of $7,020. The principal amount grows at 4% annually from the third anniversary. Subject to agreements with senior lenders and the availability of financing at a lower interest rate, the Company intends to redeem the preferred partnership units prior to the third anniversary. On April 18, 2013, the Company repaid $22,500 of the preferred partnership units as described in note 8.

10. 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 25.4% (December 31, 2012 - 26.5%) due to permanent and timing differences. Permanent differences arise related to contingent consideration as these amounts have been recorded for accounting purposes but will never be realized as a deduction for income tax purposes.

Deferred income tax assets and liabilities are presented based on a net basis by legal entity on the unaudited interim consolidated statement of financial position.

The Company's net deferred tax liability on the statement of financial position is as follows:

	March 31, 2013	December 31, 2012
	$	$
Deferred income tax asset	**16,651**	18,285
Deferred income tax liability	**21,079**	26,932
Net deferred income tax liabilities	**(4,428)**	(8,647)

At March 31, 2013 and December 31, 2012, the Company has recorded $1,527 in trade and other receivables related to Scientific Research and Experimental Development (“SRED”) tax incentives.

10. Income Taxes - continued

As at March 31, 2013 and December 31, 2012, the Company had $49,367 and $45,354, respectively of gross tax loss carryforwards. The Company expects that future operations will generate sufficient taxable income to realize the deferred tax assets except for an unrecognized deferred tax asset of $3,500 which the Company has not recorded at March 31, 2013 and December 31, 2012 in respect of certain non-capital losses. At March 31, 2013 and December 31, 2012, deferred tax assets of $80 were not recognized for capital losses for which the Company does not expect to realize the related benefit.

11. Interest Expense

Interest expense for the three month periods ended March 31, 2013 and 2012 is comprised of the following:

	For the three month periods ended March 31,	
	2013	2012
	$	$
Interest on long-term loan and revolving facilities	**2,781**	2,608
Amortization of loan arrangement fees	**498**	390
Interest on related party amounts	**161**	75
Accretion of related party loan discounts	**109**	99
Interest on capital leases	**12**	29
Amortization of deferred gain on interest rate swap	**(20)**	—
Interest on convertible debt	**791**	163
Accretion on convertible debt	**831**	46
Interest expense before distributions for preferred partnership units	**5,163**	3,410
Distributions for preferred partnership units	**1,755**	1,688
Total interest expense	**6,918**	5,098
Interest income	**—**	(28)
Net interest expense	**6,918**	5,070

12. Trade Payables and Other Amounts

Trade and other payables at March 31, 2013 and December 31, 2012 are comprised of the following:

	March 31, 2013	December 31, 2012
	$	$
Trade payables	**33,307**	33,243
Accrued liabilities	**22,427**	21,839
Deferred revenue	**1,294**	1496
Amounts payable to GHIS (note 13)	**4,986**	4,976
Restructuring costs (note 5)	**3,304**	4,632
	65,318	66,186

13. 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, 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 and related to the shareholders of GHIS including Jamon Investments LLC ("Jamon"), who own 36,098,976 shares or approximately 25% of the issued and outstanding common shares of the Company as of March 31, 2013. This ownership percentage disclosed assumes the issuance of 18,686,853 escrowed and restricted shares in the total common shares considered to be outstanding.

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 of up to 0.5% of the enterprise value for completion of financing, mergers and acquisitions, subject to approval by the Board of Directors.

On March 21, 2013, subject to approval of the shareholders of the Company on May 9, 2013, GHIS and the Company negotiated an amended consulting agreement which eliminates the completion fee, removes the consulting fee for the year ended December 31, 2013, and amends the consulting fee to $75 per month from January 2014 to the completion of the agreement in June 2015. The Company expects to issue 4,802,311 common shares which is an equivalent of $2,150 in common shares of the Company to GHIS based on the five day value weighted average of the Company's share price immediately following the announcement of the Company's 2012 annual results. These common shares will be subject to a one year hold period unless the Company's Board of Directors approves an earlier release date. On March 21, 2013, GHIS waived their consulting fees for the fourth quarter of 2012. On May 7, 2013, GHIS waived their consulting fees for the first quarter of 2013.

For the three months ended March 31, 2013, the Company incurred $11 (March 31, 2012 - $22) in GHIS travel and related expenses, $87 (March 31, 2012 - $75) in interest on related party amounts and $nil (March 31, 2012 - $450) in completion and advisory fees.

Included in trade payables and other amounts at March 31, 2013 and December 31, 2012 are $4,986 and 4,976, respectively, due to GHIS; and $74 and $76, respectively for interest payable to Jamon. The completion fees of $1,400 from the LifeMark acquisition and the financing fee of $2,800 related to specific 2011 financing activities are only due and payable to GHIS when it meets the conditions set out in the Credit Agreement between the Company and its senior lenders. Any outstanding consulting fees which are unpaid bear interest at 8% per annum.

Related party loans

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. In addition to the promissory note, Jamon was issued a warrant to purchase 1,000,000 common shares of the Company at an exercise price of $1.00 per share. The warrant expires on November 9, 2013. This promissory note is presented in the current portion of borrowings as outlined in note 8.

During 2012, the Company entered into loan agreements with a director and an officer of the Company who were former LifeMark shareholders of $400. These loans bear interest at 3% and are repayable within one year and are included in the Company's trade and other receivables. At March 31, 2013, $272 of these loans has been repaid to the Company.

13. Related Party Transactions and Balances - continued

On September 3, 2012, the Company issued 1,000,000 restricted shares to the Company's CEO which vest over a four year period. Effective January 1, 2013, 200,000 of these restricted shares became freely tradeable.

14. Shareholders' Equity and Earnings per Share

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

	For the three month period ended March 31, 2013		For the year ended December 31, 2012	
Common shares	**Shares**	**Stated value $**	Shares	Stated value $
Balance, beginning of period	**121,389,445**	**92,201**	98,220,254	62,525
Issuance of shares as compensation	**200,000**	**181**	782,227	61
Issuance of shares	—	—	450,000	482
Shares released from escrow or issued from treasury for contingent consideration[7]	**2,844,228**	**1,617**	17,788,669	21,930
Shares released from escrow for compensation[8]	**1,500,000**	**915**	—	—
Cancellation of shares			(600,000)	—
Issued on acquisitions	—	—	3,597,632	6,140
Issued through public financing	—	—	463,163	581
Stock options exercised	—	—	687,500	482
Balance, end of period	**125,933,673**	**94,914**	121,389,445	92,201

[7] Consists of 2,844,228 common shares issued from escrow of the three month period ended March 31, 2013 and 17,002,956 common shares issued from escrow and 785,713 common shares issued from treasury for the year ended December 31, 2012.
[8] As a result of employment arrangements with the vendor of Performance, the Company released 1,500,000 escrowed shares on February 5, 2013 to the vendor of Performance.

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.

Shares related to contingent consideration held in escrow and restricted shares at March 31, 2013:

Entity	**Escrowed and restricted shares**
BlueWater	6,153,846
London Scoping	640,866
Performance	1,500,000
Motion Specialties	9,004,641
Other	587,500
Restricted compensation shares	800,000
Total	**18,686,853**

14. Shareholders' Equity and Earnings per Share - continued

The continuity of restricted and escrowed shares for the three month period ended March 31, 2013 is as follows:

Escrowed and restricted shares	
Balance at beginning of the year	23,231,081
Released escrowed shares	(4,344,228)
Released restricted shares	(200,000)
	18,686,853

The total common shares in aggregate at March 31, 2013 are:

Type of common shares	
Freely tradeable	125,933,673
Escrowed and restricted	18,686,853
Total	**144,620,526**

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

	For the three month period ended March 31, 2013		For the year ended December 31, 2012	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of year	**11,224,500**	**$1.29**	11,355,500	$1.32
Options granted	—	—	1,925,000	0.95
Options exercised	—	—	(687,500)	0.45
Options cancelled /forfeited	**(1,125,000)**	**0.90**	(1,368,500)	1.48
Balance, end of year	**10,099,500**	**$1.33**	11,224,500	$1.29
Exercisable, end of year	**3,604,875**	**$1.11**	4,729,875	$1.06

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding as at March 31, 2013 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	900,000	0.34	0.9	843,750	0.34
$0.51 - $1.00	2,755,000	0.87	3.3	600,000	0.79
$1.01 - $1.50	1,100,000	1.03	1.7	825,000	1.03
$1.51 - $1.88	5,344,500	1.80	3.4	1,336,125	1.80
	10,099,500	**1.33**	**2.9**	**3,604,875**	**1.11**

14. Shareholders' Equity and Earnings per Share - continued

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

	For the three month period ended March 31, 2013		For the year ended December 31, 2012	
Share purchase warrants	**Warrants**	**Weighted average exercise price**	Warrants	Weighted average exercise price
Balance, beginning of period	**28,576,590**	**$0.55**	23,281,200	$0.45
Warrants granted	**5,000,000**	**1.78**	5,295,390	0.96
Warrants expired	**(498,200)**	**1.27**	—	—
Balance, end of period	**33,078,390**	**$0.72**	28,576,590	$0.55
Exercisable, end of period	**31,332,227**	**$0.67**	26,830,427	$0.47

The weighted-average remaining contractual life and weighted-average exercise price of warrants outstanding as at March 31, 2013 are as follows:

Warrants Outstanding				**Warrants Exercisable**	
Range of Exercise Price	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
$0.33 - $1.78	33,078,390	$0.72	1.8	31,332,227	$0.67

On August 14, 2012, the Company issued 615,000 restricted share units to management and employees which entitles the holders to 615,000 common shares of the Company over a three year vesting period. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.75 per share. There are 610,000 restricted share units outstanding at March 31, 2013.

Earnings per share

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

14. Shareholders' Equity and Earnings per Share - continued

The following table illustrates the dilutive effect of the outstanding share options, convertible debt and warrants for the three month periods ended March 31, 2013 and 2012.

	For the three month periods ended March 31,	
	2013	2012
Basic weighted average shares outstanding	**123,989,676**	105,838,750
Dilutive effect of unvested shares	**138,868**	750,000
Dilutive effect of share options	**357,160**	2,255,658
Dilutive effect of warrants	**5,765,073**	15,749,489
Dilutive effect of convertible debt	**49,172,347**	1,510,735
Diluted shares outstanding	**179,423,124**	126,104,632

Included in basic weighted average shares outstanding for the three month period ended March 31, 2013 are 3,413,459 of common shares which are being released to vendors of acquisitions over a specified period of time. There are no performance conditions associated with these shares.

15. Financial Instruments and Fair Value Measurements

At March 31, 2013, the Company's financial instruments consisted of cash, trade and other receivables, loans receivable, trade and other payables, its borrowings, related party loan, convertible loans, derivative liabilities associated with convertible loans and interest rate swaps.

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

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

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

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

15. Financial Instruments and Fair Value Measurements - continued

Recurring fair value measurements at March 31, 2013 are as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash and cash equivalents	—	115	—	**115**
Contingent consideration	—	—	7,051	**7,051**
Derivative financial instruments	—	973	3,551	**4,524**
	—	1,088	10,602	**11,690**

There were no non-recurring fair value measurements at March 31, 2013. There were no transfers between levels 1 and 2 during the three month period ended March 31, 2013.

The level 2 fair value for cash has been determined based on amortized cost using the effective interest rate method. The level 2 fair value of derivative financial instruments relates to interest rate swap agreements and are based on the value of the swap agreement as compared to current market rates.

Details regarding level 3 fair value measurements for contingent consideration can be found in note 6 and for the derivative financial instruments related to derivative liability component of convertible debt in note 8.

There were no changes in the valuation techniques used during the three month period ended March 31, 2013.

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

	March 31, 2013	December 31, 2012
	$	$
Financial assets measured at cost or amortized cost		
Trade and other receivables	**64,077**	58,325
Loans receivable	**380**	444
Financial liabilities measured at cost or amortized cost		
Trade payables and other amounts	**65,318**	66,186
Finance lease liability	**950**	1,167
Borrowings	**213,661**	204,188
Preferred partnership units	**65,500**	65,500

16. Commitments

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

	March 31, 2013	December 31, 2012
	$	$
Less than one year	**13,187**	13,653
Between one and five years	**39,226**	38,184
More than five years	**18,431**	17,950
Total	**70,844**	69,787

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 one to three years in nature and are settled under normal trade terms.

17. 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. The Company believes that 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.

18. 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 and Home Medical Equipment.

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.

18. Segmented Information - continued

	As at and for the three month period ended March 31, 2013						
	Physiotherapy $	Pharmacy $	Retail & Home Medical Equipment $	Assessments $	Surgical $	Corporate $	Total $
Revenue	44,614	24,278	28,679	8,311	7,399	—	113,281
Depreciation and amortization	3,303	1,735	1,586	1,114	728	95	8,561
Interest expense	—	—	—	—	—	6,918	6,918
Income (loss) before interest expense and income taxes[9]	2,785	546	(171)	443	(345)	6,458	9,716
Capital expenditures	550	673	372	1	329	222	2,147
Goodwill	115,441	30,802	20,555	32,457	14,114	—	213,369
Total assets	205,934	72,642	102,226	54,608	29,503	20,449	485,362
Total liabilities	32,581	10,301	11,119	17,683	4,975	305,293	381,952

[9] Included in the income before interest expense and income taxes for the Corporate segment is $6,945 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period, $523 in transaction and restructuring costs and $3,886 of non-cash gains from the change in fair value of derivative financial instruments.

	As at and for the three month period ended March 31, 2012						
	Physiotherapy $	Pharmacy $	Retail & Home Medical Equipment $	Assessments $	Surgical $	Corporate $	Total $
Revenue	45,125	23,300	17,158	10,124	8,546	—	104,253
Depreciation and amortization	3,260	385	522	1,128	846	92	6,233
Interest expense	—	—	—	—	—	5,070	5,070
Income (loss) before interest expense and income taxes[10]	3,714	2,145	1,395	393	289	(7,242)	694
Capital expenditures	732	378	278	164	139	—	1,691
Goodwill	115,084	51,421	47,054	32,457	21,427	—	267,443
Total assets	202,744	82,941	102,371	66,435	47,669	5,841	508,001
Total liabilities	26,983	5,139	18,553	19,087	4,166	351,750	425,678

[10] Included in the income before interest expense and income taxes for the Corporate segment is $1,402 of a non-cash losses from the net decrease in the fair value of the contingent consideration liability for the period, $2,327 in transaction and restructuring costs and $152 of non-cash gains from the change in fair value of derivative financial instruments.

19. Supplementary Disclosure to the Consolidated Statements of Cash Flows

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

	For the three month periods ended March 31,	
	2013	2012
	$	$
Trade and other receivables	**(5,752)**	(3,389)
Inventories	**(1,832)**	1,416
Prepaid expenses	**(358)**	(391)
Trade payables and other amounts	**(1,448)**	(15,320)
	(9,390)	(17,684)

20. Subsequent Events

On April 18, 2013 the Company completed a public offering of second lien senior secured debt, repaid its existing senior secured debt, repaid a portion of its preferred partnership units, amended and restated its credit agreement with senior lenders and settled certain interest rate swaps as discussed in note 8.