Management's Discussion and Analysis
For the years ended December 31, 2014 and 2013

Dated: March 3, 2015

Index

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Certain statements in this Management's Discussion and Analysis ("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 2015 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 MD&A.

The following is a discussion of the consolidated financial position and the income and comprehensive income of Centric Health Corporation, ("Centric Health", "Centric" or the "Company") for the years ended December 31, 2014 and 2013 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 in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2014 and 2013. The audited consolidated financial statements for the years ended December 31, 2014 and 2013 are prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's significant accounting policies are summarized in detail in note 1 of the consolidated financial statements for the years ended December 31, 2014 and 2013. Unless otherwise specified, amounts reported in this MD&A are in millions, except shares and per share amounts and percentages. The following MD&A is presented as of March 3, 2015. All amounts are disclosed in Canadian dollars. Additional information about the Company, including the most recently filed Annual Information Form, is available on www.sedar.com.

Highlights for the for the year ended December 31, 2014

The close of 2014 marked the end of a transformational year for Centric Health, a year that saw management execute against the Company's refined strategy to focus on its core strengths in hands-on healthcare service delivery, strengthen the balance sheet and reposition the business model for sustainable, long-term growth.

Shortly after unveiling its refined business strategy during the second quarter of 2014, the Company began making tangible progress towards its priorities by divesting of non-core assets, including the sale of its retail and home medical equipment, and methadone pharmacy operations during the third quarter. Importantly, in addition to streamlining the business model, the proceeds from these divestitures provided Centric with funds to deploy against two key initiatives: de-leveraging the balance sheet through debt repayment and funding accretive acquisition opportunities.

Through the year ended December 31, 2014 Centric Health demonstrated strong growth across all three operating segments alongside positive operating cash flows. Going forward, the Company remains committed to focusing on its core strengths and continued growth in Revenue and Adjusted EBITDA[1] from its core operations.

In addition, as a result of the divestiture of non-core businesses and the closure of an under-performing surgical centre, the Company has segregated its results from operations between continuing and discontinued operations for the year ended December 31, 2014.

Financial Performance

For the three month period ended December 31, 2014, Revenue and Adjusted EBITDA increased to $78.2 million and $7.0 million compared to $72.6 million and $5.9 million over the same period in the prior year, marking the third consecutive quarter for year on year improvements on quarterly results for Centric Health. These increases were driven by organic revenue growth of of 6.6% with increases across all operating segments.

Revenue and Adjusted EBITDA[1] from continuing operations for the year ended December 31, 2014 increased to $308.1 million and $28.0 million for the period ended December 31, 2014 , from $281.1 million and $23.8 million for the same period in the prior year. These increases were driven by organic revenue growth of 7.7% with increases across all operating segments in addition to the accretive bariatric surgical acquisition completed in the fourth quarter of 2013.

The Company continued its focus on operational and working capital initiatives in 2014 which resulted in positive cash flow from operations for the eleventh consecutive quarter. The Company generated $19.7 million in cash flow from operations for the year ended December 31, 2014. Additionally, in the third quarter, as a result of the divestiture of certain non-core operations the Company received a waiver from a financial performance covenant at the December 31, 2014 measurement date and entered into amendments to certain financial performance covenants up to March 31, 2015. The amendments to the financial performance covenants reflect the Adjusted EBITDA base of the Company given the divestitures of its non-core businesses. In addition to the above strong results, Centric Health continued to see strong momentum towards business model realignment, debt reduction and execution on its business strategy.

Strategic Business Model Realignment

As part of Centric Health's refined long-term strategy, it determined that there were certain non-core businesses in the Company's complement of services. As a result, during the second quarter of 2014, the Company entered into definitive agreements to sell substantially all of the assets of its retail and home medical operations and the assets of its methadone pharmacy operations for gross proceeds of $50.0 million and $20.0 million, respectively. Following the close of these transactions during the third quarter of 2014, the Company's business model emerged more streamlined and sharply focused around its core strengths in healthcare service delivery, and well positioned for sustainable, long-term growth.

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

Debt Reduction Progress

In the third quarter of 2014, Centric Health used $10.0 million of the net proceeds from the above transactions to permanently reduce the capacity of its Revolving Facility from $50.0 million to $40.0 million. On September 19, 2014 the Company made a temporary repayment of an additional $15.0 million against the Revolver Facility while it evaluates its debt repayment options which include a combination of a further permanent reduction in the Revolver Facility, redemption of the second lien senior secured notes, and/or redemption of the preferred partnership units. The $15.0 million repayment has resulted in a temporary decrease in the Revolver Capacity to $25.0 million. However, the capacity on the Revolving Facility can be increased to $40.0 million with an equivalent return of funds to the escrow cash account for the proceeds of sale from the non-core businesses as long as the Company is not in default under the Revolving Facility. The Company intends to return funds to the escrow account for the purpose of making the further $15.0 million in debt repayments as outlined above. Looking ahead, the Company stated its intention to use the remaining net proceeds to reinvest in its core businesses through accretive acquisitions in the near future.

Continued Execution on Business Strategy

In light of the determination by the Ontario Ministry of Health and Long-Term Care ("MOHLTC") surrounding a perceived conflict of interest between the Company's seniors wellness and home care operations and its retail and home medical equipment operations the Company completed the divestiture of Active Health ("Seniors Wellness") and Community Advantage Rehabilitation ("CAR") in May 2014 and its retail and home medical operations in September 2014. As a result of the retail and home medical divestiture, Centric was successful in reacquiring its Seniors Wellness and CAR operations in early 2015, businesses strategically aligned to the Company`s core focus areas, with the perceived conflict of interest fully resolved.

Additionally, on March 2, 2015, the Company delivered on its stated objective to redeploy a meaningful portion of the net proceeds from the divestitures towards accretive opportunities in its core businesses by completing the acquisition of 100% of the shares of Pharmacare Fulfillment Center Ltd., an Edmonton-based leading specialty pharmacy business operating under the Care Plus, Pharmacare and Lidia's Pharmacy brands (collectively, the "Care Plus Group"). The acquisition effectively expanded the number of residents serviced by the Company's Specialty Pharmacy segment by almost 25%, further solidifying its position as one of the top three long-term care and retirement community pharmacy providers in Canada. More importantly, the addition of Care Plus significantly enhances the segment's platform for sustainable, long-term growth, providing entry into the rapidly growing western Canadian marketplace, enhancing its ability to serve national clients while diversifying Specialty Pharmacy revenue streams from both a regulatory and payor perspective.

Following the completion of certain earn out periods, Centric canceled approximately 17.1 million common shares. The cancellation represents approximately 8.5% of the current total issued and outstanding common shares on a fully diluted basis.

Business Overview

Centric Health is Canada's largest and most comprehensive independent provider of healthcare services focused on the highest levels of quality care and patient outcomes. With more than 2,800 dedicated healthcare professionals, consultants and support staff serving patients and clients through an extensive platform of approximately 500 locations across the country, Centric Health believes it is uniquely positioned to meet growing healthcare needs in key markets. The Company's vision is to become Canada's most respected brand in the independent health care sector and world renowned for quality, innovation and for delivering sustainable value to patients, clients and stakeholders.

As Canadian healthcare systems struggle to manage the challenges of spiraling costs, longer wait times and an aging population with multiple chronic conditions, new approaches and relevant innovation are needed to identify cost effective solutions that are in the best interest of patients and physicians. Centric Health is poised to meet rising demand for the delivery of delisted and preventative health care services, capturing emerging opportunities through its innovative business model, asset mix and by partnering on alternative funding models.

Patient and payor attitudes towards independent sector care provision are also changing. This is demonstrated by an increased willingness to adopt co-payment models and a greater emphasis on outcomes-based measures as payors move to correct perverse incentives that reward volume and short-term patient outcomes. Centric Health's key performance indicators for measuring and reporting quality, safety and patient satisfaction serve as a distinct competitive differentiator in this area.

The Company's long-term strategy focuses on organically growing core higher-margin business units with strong profitability and targeting select expansion opportunities to further its national reach in the areas of its three key segments: physiotherapy, rehabilitation and assessments, specialty pharmacy services and surgical and medical centres. The Company has already launched several innovative, market-leading programs to drive organic growth in select locations by addressing unmet patient needs through existing capacity and infrastructure. Compelling opportunities also exist in the area of employer healthcare management and wellness as employers continue to experience double digit increases in the cost of premiums. Centric is establishing a cross-divisional team dedicated to growing this market, capturing synergies and coordinating marketing and sales efforts across multiple entry points.

Business Model Transformation

To maximize the future growth potential of Centric Health's national platform, senior management conducted an in-depth analysis of the Company`s business portfolio in late 2013, weighing the overall strategic importance of each business unit and its potential value in the near and long term. The team applied a methodical process, critically assessing each division`s individual markets, demand trends, risk profiles, the reliability of their payors, and sensitivity to regulatory changes.

Based on the results of this analysis, management redefined the strategy and realigned the business to focus on aggressively pursuing its most compelling high-margin opportunities within the core business units. Significant progress against this focused consolidation strategy has been made to date and steps have been taken to identify further cost reduction opportunities and efficiencies, reduce debt, reduce working capital needs, reduce regulatory risk and rationalize the business portfolio through the divestiture of non-core assets.

Business Strategy

Strategic Focus on Core Strengths and Capabilities

The diagram below illustrates Centric Health's refined business strategy which focuses on the Company's core competencies of healthcare service delivery and quality outcomes. This is comprised of:

- *3 core focus areas:* Defined focus on 3 main business units with high margins, strong cash flows, low working capital expenditure and less reliance on government funding.
  - Physiotherapy, Rehabilitation and Assessments
  - Specialty Pharmacy
  - Surgical and Medical Centres

- *3 key enablers:* Emphasis on strengthening competitive differentiators and market-leading capabilities to enhance value and support leading patient outcomes.
  - Quality
  - Client Centricity
  - Innovation and Technology

Overview of Core Businesses & Growth Initiatives

Segment	Description	Locations	Key Growth Initiatives
Physiotherapy, Rehabilitation & Assessments	Clinical services provided through experienced and trained staff offering physiotherapy, occupational therapy, massage therapy, occupational rehabilitation services and other specialized services. Assessment of patients who have suffered motor vehicle and workplace injuries by providing independent evaluation to insurers, workers compensation boards and employers across Canada. State-of-the-art custom and off-the-shelf orthotics, custom bracing and laser and shockwave therapy.	Network of 104 owned and 52 affiliated rehabilitation clinics that operates in 7 provinces and treats over 150,000 patients annually 5 assessment centres in 3 provinces which performs over 55,000 assessments per year Over 50 orthotic clinics, primarily in Ontario	Commitment to R&D and innovation Specialized programs include: - Cancer rehabilitation - Concussion management - Pelvic health - Sports rehabilitation - Vestibular therapy - Integration of Seniors wellness and CAR
Specialty Pharmacy	Dispensing and auxiliary products and services for retirement homes and long-term care residents. Dispensing services in Ontario for employees insured by corporate health plans.	Servicing over 20,000 beds and over 700,000 scripts per month 2 retail pharmacies at Southlake Regional Health Centre in Newmarket, Ontario 1 Co-location pharmacy located in Richmond, British Columbia	Residential Pharmacy - home delivery service pilot underway Continence care program expansion Plans to open co-location pharmacies within selected existing facilities
Surgical & Medical Centres	Variety of services including 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, otolaryngology and a sleep clinic. Customers include Workers Compensation Boards, regional health authorities, non-residents, private patients and various governmental agencies.	Seven facilities across Canada housing 27 operating and procedure rooms in four provinces: - Don Mills Surgical Unit in Toronto, Ontario - Windsor Endoscopy in Windsor, Ontario - London Scoping Centre in London, Ontario - Surgical Weight Loss Centres in Mississauga, Ontario - False Creek Health Centre in Vancouver, BC - Canadian Surgical Solutions in Calgary, Alberta - Maples Surgical Centre in Winnipeg, Manitoba	Continued roll-out of Bariatrics across all Centric Health Surgical Centres Partnerships with health systems and health authorities Out of Province Care

Pursuit of Four Strategic Priorities

To effect the Company's refined strategy, management has identified the following four priorities:

1. *Focus on core strengths* - Optimize capacity and organic growth in the three core businesses described above and leverage synergies with enterprise customers, referral sources and partners through dedicated cross-divisional sales and marketing team.

2. *Strengthen the balance sheet* - Continue to action debt reduction strategy, reduce corporate spending, reduce working capital and minimize risk exposure through the sale of non-core assets.

3. *Position the Company for future growth* - Further streamline support functions and drive collaboration, synergies and efficiencies. Selectively target high-quality assets with strong talent, intellectual property and client relationships that complement the existing portfolio mix and expand capacity in key regions and markets.

4. *Win on quality, innovation and client service* - Enhance quality reporting metrics that demonstrate value to clients with an emphasis on best patient outcomes. Increase key client account support capabilities and earn preferred provider status through exceptional patient and client service and innovative solutions.

Debt Reduction

Management is committed to strengthening the Company's balance sheet and reducing the Company's overall debt level. Management has established a target for total debt to Adjusted EBITDA of less than four-times over the medium term.

In early 2013, the Company implemented the first phase of its debt reduction plan which included:

- Closed an offering of $200.0 million second lien senior secured notes which allowed the Company to repay its Term Loan, amend its Revolving Facility and repay $22.5 million of preferred partnership units;
- Repaid an additional $7.5 million of preferred partnership units;
- Revised the consulting agreement with GHIS to realize $2.5 million in cash flow and Adjusted EBITDA savings over the remaining term of the agreement; and
- Refinanced a $5.0 million related party convertible loan by extending the maturity to April 2018.

These steps have provided Centric Health with greater financial flexibility in the short term as it moves forward with its refocused growth strategy and begins to incrementally realize the contributions of our organic growth initiatives and capital redeployment opportunities.

In the third quarter of 2014, the Company redeployed $25.0 million of the net proceeds from the divestiture of its non-core businesses towards debt repayment, including a $10.0 million permanent reduction of its Revolving Facility to $40.0 million. An additional $15.0 million has been temporarily repaid against the Revolving Facility while the Company evaluates its most effective debt reduction strategy for these funds through a combination of additional permanent reduction of the Revolving Facility, redemption of second lien senior secured notes and redemption of preferred partnership units.

Centric Health expects to generate additional EBITDA and free cash flow from operations through organic, accretive acquisitive growth, as well as additional corporate cost savings and working capital improvements. The Company will continue to evaluate additional opportunities to strengthen its balance sheet and will pursue such opportunities within the context of strategic rationale and favorable market conditions. Such opportunities may include refinancing certain debt arrangements to achieve more favourable terms, an equity offering that could be used to further reduce debt and alternatives relating to its convertible debt offerings (all of which can be settled in common shares at the discretion of the Company except the loan with Jamon, which is a related party).

In the third quarter, in connection with the pending divestitures of non-core businesses and subject to completion of these divestitures, the Company received a waiver for a financial performance covenant under its Revolving Facility at the December 31, 2014 measurement date and finalized amendments to certain financial performance covenants up to March 31, 2015. The Company's Revolving Facility matures on June 9, 2015 and the Company plans to renegotiate its Revolving Facility with its lenders.

Strategic Divestiture of Non-Core Businesses

Centric's strategy is to redeploy the proceeds from the divestiture of its retail and home medical equipment and methadone pharmacy non-core operations into select expansion initiatives, including accretive acquisitions, within its core businesses and to use a portion of these proceeds to further strengthen the balance sheet through debt repayment.

Under the April 2013 trust indenture for the second lien senior secured notes, net proceeds from divestitures can be redeployed in the following ways:

- Permitted business acquisitions;
- Capital expenditures;
- Acquisitions of non-current assets;
- Repayment of senior debt that is a permanent reduction of such debt;
- Repayment of secured debt (subject to early redemption at the Company's option); and
- Redemption of up to $35.0 million of preferred partnership units, provided the ratio of total secured debt to cash flow is less than four-times.

The trust indenture for the second lien senior secured notes also requires the Company maintain a minimum of $25.0 million, drawn or undrawn, of the Revolving Facility for working capital purposes.

New Growth Opportunities and Acquisition of Accretive Businesses

The Company expects the remainder of the net proceeds from the divestitures of non-core businesses completed in the third quarter of 2014 that are not applied to debt to be reinvested in growth opportunities, including accretive acquisitions, that will contribute to increased EBITDA and free cash flow from operations. Acquisitions are expected to be consistent with the Company's focus on core business segments and operations that generate high margins and strong cash flow, require low capital expenditures and have low exposure to regulatory or public funding changes.

The Company will seek to complete acquisitions using a structure that maximizes the return on its cash investment and Adjusted EBITDA. To achieve this, the Company may issue common shares and cash that are contingent on the future performance of the underlying business as consideration for such acquisitions.

The Company intends to only undertake an acquisition or growth initiative following completion of a comprehensive analysis to ensure it is accretive to the Company within a reasonable period. Acquisitions should provide an appropriate return relative to any investments which the Company incurs to complete the acquisition and the return is expected to be in excess of the Company's risk adjusted weighted average cost of capital.

Business Outlook

With services that address growing demand and evolving needs within the Canadian healthcare system, Centric Health's unparalleled national care delivery platform provides significant potential for future expansion and growth. Following an extensive review of its core competencies, business segment performance and market opportunities, in June 2014 the Company announced a re-focused strategy on its core healthcare service businesses in the pursuit of top-line growth, improved profitability and free cash flow generation.

The Company's organic growth initiatives will be focused on those opportunities with low capital investment that leverage the Company's existing resources and capacity. Going forward, while management expects continued strong organic growth from each of the segments, management would also expect that the timing and cycles of the contract procurement process could result in some fluctuation of organic growth rate from quarter to quarter. Acquisitions are expected to be accretive and consistent with the Company's focus on its core business segments and on operations that generate high margins and strong cash flow, require low capital expenditures and have low exposure to regulatory or public funding changes.

Physiotherapy, Rehabilitation and Assessments

The Company's Physiotherapy, Rehabilitation and Assessments segment achieved strong growth during the year ended December 31, 2014 driven by growth in both the rehabilitation clinic network and the assessments business. The Company anticipates continued growth in the rehabilitation clinic network through organic initiatives such as continued expansion of its preferred provider relationships with employers and other organizations. Specialty programs offered by the Company's network of rehabilitation clinics differentiates Centric Health in a highly competitive industry. The Company is also undertaking expanded local marketing initiatives to drive brand awareness and increase the volume of patient visits. Growth in the Company's assessments business is targeted through increased market share from successful RFPs.

Centric Health expanded its clinic network in the second and third quarters of 2014 through the acquisition of four new clinics located in key growth markets. The Company will pursue continued expansion of the national clinic footprint through additional strategic acquisitions. Growth through acquisition will only occur if the acquisition will be accretive to earnings and complementary to the national network and strategic plan. Over the longer term, this segment should benefit from growth in Employer Healthcare Management and Wellness contracts, which should contribute to increased volumes at the Company's rehabilitation clinics.

In the early part of 2015, the Company completed the reacquisition of Active Health ("Seniors Wellness") and Community Advantage Rehabilitation ("CAR"). These acquisitions represent a continued focus on meeting the increasing needs of the growing seniors population and overall alignment with the Company's core strategy.

Specialty Pharmacy

The Specialty Pharmacy segment continued to achieve success with its organic growth strategy focused on maximizing the utilization of existing infrastructure by winning new tenders for contracts with long-term care and retirement homes and retail initiatives. The Company anticipates that Revenue and Adjusted EBITDA growth in its Specialty Pharmacy segment will continue for 2015 and beyond, but expects will face increased competition for new long-term care and retirement homes through competitive tendering processes across the Province. In order to offset the increasing competition, the Specialty Pharmacy segment will continue to pursue operational efficiencies and cost savings from management.

As the majority of its pharmacy operations are based in Ontario, the Company plans to expand beyond the province, in particular into Western Canada, to develop a national network that would both expand its geographical market and strengthen its value proposition to national long-term care and retirement home providers. During the fourth quarter of 2014, the Company established a co-location pharmacy services at the Richmond Oval in Richmond, British Columbia. On March 2, 2015, the Company completed the acquisition of 100% of the shares of Pharmacare Fulfillment Center Ltd., an Edmonton-based leading specialty pharmacy business operating under the Care Plus, Pharmacare and Lidia's Pharmacy brands (collectively, known as the "Care Plus Group") in Western Canada, effectively expanding the number of residents serviced by its Specialty Pharmacy segment by almost 25%.

Adjusted EBITDA margins, which have returned to historical levels following the implementation of Electronic Medical Administrative Records ("EMAR") for existing long-term care home contracts, are expected to be stable in coming quarters. However, as Centric wins new contracts, margins may be impacted in the short term as EMAR implementation costs may be absorbed.

Surgical and Medical Centres

Growth in the Company's Surgical and Medical Centres segment is expected to be driven primarily by increasing utilization of the existing network capacity through a multi-faceted strategy that includes: partnerships with local physicians and health authorities, marketing and brand development, and the introduction of innovative programs and new technologies. Efforts to expand the roster of physicians in order to utilize excess operating room capacity are ongoing at all of the Company's surgical centres.

The financial results of the Surgical and Medical Centres segment improved for the year ended December 31, 2014 due to growth in the contribution from bariatric procedures following the acquisition of 75% of SmartShape Weight Loss Centres ("SmartShape"), a leader in state-of-the-art bariatric (weight loss) surgical procedures, in the fourth quarter of 2013. The Company expects the number of bariatric procedures to increase based on the roll out of SmartShape's proven business model across each surgical centre location. SmartShape recently added the higher margin gastric sleeve procedure to its offerings at the Don Mills (Toronto) facility (and will do so at other facilities in Ontario pending regulatory approval), which is expected to further increase volumes.

The Company continues to seek partnerships with some of Canada's leading surgeons for the future launch of additional specialized surgical Centres of Excellence and other initiatives. Additionally, Centric Health will continue to pursue opportunities to work alongside governments, health authorities and hospitals to find opportunities to relieve surgical wait-lists through new partnerships and business models.

During the first quarter of 2014, the Company completed a significant renovation to its facility in Calgary, Alberta and completed a renovation of its Don Mills, Ontario facility in the third quarter of 2014. In the first quarter of 2015, the Company is planning an expansion and renovation of its False Creek location in Vancouver, British Columbia, which will result in a temporary closure of this facility during the first quarter of 2015.

In the first quarter of 2014, the Company made the decision to close its underperforming facility in Sarnia, Ontario. The result of the closure has positively impacted Adjusted EBITDA over the year ended December 31, 2014.

Employer Healthcare Management and Wellness Initiative

The Company recently established a dedicated cross-divisional support team to pursue opportunities in the high growth employer services market by coordinating business development and account-based marketing efforts across multiple entry points. The Company offers clients customizable program options from a broad continuum of services across its platform, including mandatory workplace injury insurance programs, optional wellness programs and corporate health benefits and prescription plans, generating revenue back to its core segments. In the fourth quarter of 2014, the Company launched an incentive-based wellness pilot program for employees to help test and optimize this program offering in advance of a market launch.

Corporate Infrastructure

Management believes overall profitability can be improved through further optimization of corporate infrastructure. The Company continues to implement opportunities to reduce corporate costs as a proportion of consolidated revenue through centralization of functions, rightsizing, achieving unrealized synergies amongst the operating segments and managing discretionary spend and professional fees.

Selected Financial Information

The following selected financial information as at and for the years ended December 31, 2014, 2013 and 2012, has been derived from the audited consolidated financial statements as at and for the years ended December 31, 2014, 2013 and 2012, and should be read in conjunction with those financial statements and related notes. The results of acquisitions are added from their respective dates of completion. Non-IFRS measures are defined and reconciled in the Reconciliation of Non-IFRS Measures section.

	For the three months ended December 31,			For the years ended December 31,		
(thousands of Canadian Dollars)	**2014 $**	2013 $	2012 $	**2014 $**	2013 $	2012 $
Revenue	**78,245**	72,589	65,567	**308,074**	281,148	264,139
Loss from continuing operations	**(2,328)**	(2,627)	(11,470)	**(5,208)**	(12,922)	(24,178)
(Loss) income from continuing operations before interest expense and income taxes	**(1,936)**	(269)	(27,936)	**(6,342)**	4,526	5,045
EBITDA[2] from continuing operations	**4,528**	6,135	(16,087)	**19,695**	30,917	33,020
Adjusted EBITDA[2] from continuing operations	**7,004**	5,920	3,972	**28,025**	23,760	18,528
Per share - Basic	**$0.05**	$0.04	$0.03	**$0.19**	$0.18	$0.16
Per share - Diluted	**$0.03**	$0.03	$0.02	**$0.14**	$0.13	$0.12
Adjusted EBITDA Margin from continuing operations	**9.0%**	8.2%	6.1%	**9.1%**	8.5%	7.0%
Adjusted EBITDA[2]	**7,004**	6,186	9,591	**29,176**	33,601	42,832
Per share - Basic	**$0.05**	$0.05	$0.08	**$0.20**	$0.26	$0.38
Per share - Diluted	**$0.03**	$0.03	$0.06	**$0.14**	$0.18	$0.28
Adjusted EBITDA Margin	**9.0%**	5.6%	8.6%	**7.3%**	7.4%	9.8%
Net Loss	**(8,035)**	(39,257)	(38,530)	**(57,203)**	(90,850)	(7,088)
Per share - Basic[3]	**($0.04)**	($0.30)	$(0.32)	**($0.40)**	($0.71)	$(0.06)
Per share - Diluted[3]	**($0.04)**	($0.30)	$(0.32)	**($0.40)**	($0.71)	$(0.06)
Cash flow from operations	**5,523**	8,649	14,813	**19,719**	20,204	15,314
Total assets from continuing operations	**313,236**	278,552	300,868	**313,236**	278,552	300,868
Total non-current liabilities from continuing operations	**347,250**	356,770	346,260	**347,250**	356,770	346,260

[2] Defined in Reconciliation of Non-IFRS Measures

[3] Basic and diluted earnings per share is based on the earnings attributable to shareholders of Centric Health Corporation.

Results of Consolidated Operations for the years ended December 31, 2014 and 2013

Revenues

The Company's revenue for the year ended December 31, 2014 increased by 9.6%, or $26.9 million, to $308.1 million from $281.1 million for the same period in the prior year. This increase was primarily due to a combination of organic growth of $21.9 million, or 7.7% across all operating segments in addition to the purchase of SmartShape and other start-up initiatives which contributed incremental revenue of $7.2 million. Partially offsetting this increase was the impact of generic drug price reductions in the specialty pharmacy segment and the closure of certain underperforming rehabilitation clinics, and surgical centres.

Expenses

Cost of healthcare services and supplies includes practitioner consultant fees associated with the rehabilitation, assessment and surgical services, the cost of medical and physiotherapy supplies in these businesses and the cost of pharmaceuticals sold. Cost of healthcare services and supplies for the year ended December 31, 2014 increased by 8.3%, or $14.2 million, to $185.2 million as compared to $171.0 million for the same period last year. Cost of healthcare services and supplies remained relatively consistent as a percentage of Revenue over the comparative periods at 60.1% and 60.8%, for the years ended December 31, 2014 and 2013, respectively.

Employee costs include salaries and benefits of employees working directly in each business segment. For the years ended December 31, 2014 and 2013, employee costs were $37.3 million and $32.7 million respectively, which was comparable at 11.6% of Revenue for the year ended December 31, 2013 versus 12.1% for the year ended December 31, 2014. These increased costs are due to a full year of integration of employees costs from SWLC, and additional salary costs for certain revenue generating front-line staff in surgical and medical centres.

Other operating expenses include occupancy costs, insurance, communication, advertising and promotion and administrative expenses incurred at the operational level. Other operating expenses for the year ended December 31, 2014 were $42.0 million as compared to $38.0 million for the comparable periods in the prior year. Other operating expenses have remained relatively consistent at approximately 13.6% to 13.5% of Revenue over the year ended December 31, 2014 and 2013, respectively.

Corporate office expenses include shared service costs for the operating segments, salaries and benefits, occupancy costs, insurance, communication, advertising and promotion and other costs of the corporate office. Corporate office expenses were $15.7 million for the year ended December 31, 2014 as compared to $15.8 million for the year ended December 31, 2013. The Company's corporate costs decreased as a percentage of revenue over the comparative year from 5.6% to 5.1% due to the rationalization of resources that supported the non-core business which were divested in the third quarter of 2014 in addition to the cost savings from a reorganization of the finance department in the second half of 2013. These decreases are partially offset by advisory fees of $0.4 million from GHIS, a related party, for the period ended December 31, 2014 as advisory fees from GHIS had been waived in 2013. There are additional advisory fees of $0.5 million which have been included in transaction and restructuring costs for the year ended December 31, 2014 for advisory services performed in relation to the Company's dispositions completed in the second and third quarter of 2014. With the successful completion of its divestiture of non-core businesses, the Company is implementing cost saving measures including rationalization of resources that supported non-core businesses and reductions in discretionary spending.

Depreciation and amortization was $25.9 million for the year ended December 31, 2014 as compared to $26.3 million the same period in the prior year. The decrease year over year is mainly due to a decrease in the amortization of intangible assets from the full amortization of certain non-compete arrangements.

Share-based compensation expense, a non-cash expense, decreased for the year ended December 31, 2014 by $4.7 million, or 72%, to $1.8 million from $6.5 million for the comparable period in the prior year. The decrease over the prior year for the twelve month comparable periods is mainly due to the compensation expense incurred in the second quarter of 2013 as a result of the issuance of common shares to GHIS, a related party, as part of an amended consulting agreement. In addition, there was compensation expense incurred in the first quarter of 2013 from the granting of shares to the vendor of Performance Medical Group as part of employment arrangements.

Transaction, restructuring and other costs increased for the year ended December 31, 2014 to $5.4 million from $3.8 million. 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, and legal and consulting costs for business restructuring

are expensed as incurred. Start-up costs for new initiatives are costs incurred by the Company for a new business initiative prior to this initiative generating any revenue. During the fourth quarter of 2014, in connection with the November 2011 purchase of Classic Care Pharmacy Corporation, a settlement for a dispute was reached with one of the vendors (whose principal is also a current employee of the Company). As part of the settlement, the Company agreed to contingent payment terms which may be payable depending on the Company's share price at the end of the second quarter of 2016 as specified in the terms of the settlement. As a result, the Company recorded a contingent consideration liability of $1.9 million which was included in transaction, restructuring and other costs. This amount has been included as part of restructuring and other costs in the statement of income and comprehensive income.

Loss from operations for the year ended December 31, 2014 was $5.2 million or 1.7% of Revenue compared to $12.9 million or 4.6% of Revenue for December 31, 2013. Adjusted EBITDA from continuing operations improved by $4.2 million, or 17.6%, to $28.0 million for the year ended December 31, 2014 from $23.8 million for the same period in the prior year. The Adjusted EBITDA margin also improved to 9.1% from 8.5% over the same period due to effective cost management initiatives. The increase in Adjusted EBITDA is reflective of the organic revenue growth realized in core businesses between these periods the accretive contribution from the acquisition of SmartShape, and other startup initiatives.

Interest expense for the year ended December 31, 2014 was $32.9 million as compared to $36.2 million for the comparable periods in the prior year. Interest expense relates to the Term Loan, second lien senior secured notes, Revolving Facility, the distribution on preferred partnership units, the related party loan obtained in November 2010 and renegotiated in November 2013, the capital leases assumed in acquisitions and the convertible debentures issued in December 2011, February 2012, May 2012 and September 2012. The decrease of $5.2 million in amortization of loan arrangement fees for the year ended December 31, 2014 was due to replacement of the old Term Loan which was in place during the first quarter of 2013. Net interest expense excluding amortization and accretion expenses for the year ended December 31, 2014 was $26.4 million as compared to $26.0 million in the prior year.

	For the three months ended December 31,		**For the years ended December 31,**	
(thousands of Canadian Dollars)	**2014 $**	2013 $	**2014 $**	2013 $
Interest on long-term loan, revolving facilities and second lien senior secured notes	**4,672**	4,879	**19,328**	16,946
Amortization of loan arrangement fees	**315**	275	**1,236**	6,432
Interest on related party amounts	**76**	161	**435**	644
Accretion of related party loan discounts	**92**	107	**362**	450
Interest on capital leases	**3**	45	**51**	103
Amortization of deferred gain on interest rate swap	**(5)**	(5)	**(20)**	(173)
Interest on convertible debt	**810**	893	**3,292**	3,294
Accretion on convertible debt	**1,155**	947	**4,351**	3,521
Accretion on preferred partnership units	**307**	—	**602**	—
Interest expense before distributions for preferred partnership units	**7,425**	7,302	**29,637**	31,217
Distributions for preferred partnership units	**1,029**	1,004	**4,049**	4,988
Total interest expense	**8,454**	8,306	**33,686**	36,205
Interest income	**(347)**	(1)	**(777)**	(11)
Net interest expense	**8,107**	8,305	**32,909**	36,194

The **change in fair value of derivative financial instruments** representing a loss of $0.3 million for the year ended December 31, 2014 compared to a gain of $4.9 million in the fair value of interest rate swaps during the period for which the Company has not formally designated as a hedging transaction. In addition, the change in fair value of the derivative financial instruments includes changes in component of debt offerings and the change in fair value of redemption features included in certain of the Company's debt arrangements. The fluctuation of these balances are reflective of various factors including changes in the Company's share price, interest rates and credit spreads.

For the for the year ended December 31, 2014, the Company recognized losses on the **fair value of contingent consideration liabilities** of $0.8 million as compared to gains of $12.6 million for the comparative periods 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.

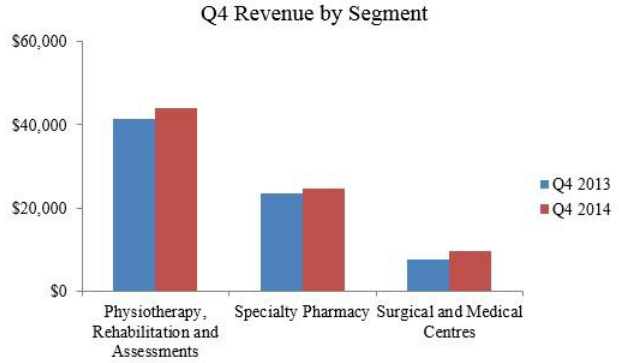
The largest component of the change in fair value of contingent consideration as at December 31, 2013 was a reduction in the probability with achieving stated performance targets from a 90% probability to a 50% probability for the second and third years of the earnout period during the first quarter of 2013. The Company had recorded a gain of $12.0 million for the change in fair value of Motion Specialties contingent consideration in 2013. The Company further reduced the probability for the second year and third year earn-out to 0% during the last quarter of 2013. These decreases in probability are mainly a result of Motion Specialties generating a working capital shortfall as compared to what had been projected as part of the earn-out agreement in addition to a shortfall in achieving its Adjusted EBITDA financial performance targets.

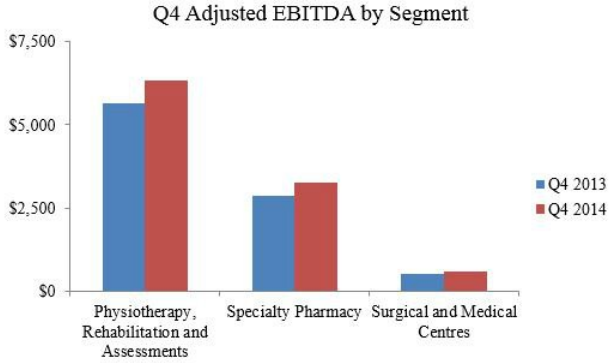
The **income tax (recovery) expense** was a recovery $1.7 million for the year ended December 31, 2014 as compared to an expense of $6.7 million for the same periods in the prior year. As at December 31, 2014 and 2013 the Company had $86.0 million of gross tax loss carryforwards, which will expire between 2014 and 2034. 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 $19.4 million which the Company has not recorded at December 31, 2014 in respect of certain non-capital losses carried forward.

Results of Segmented Operations

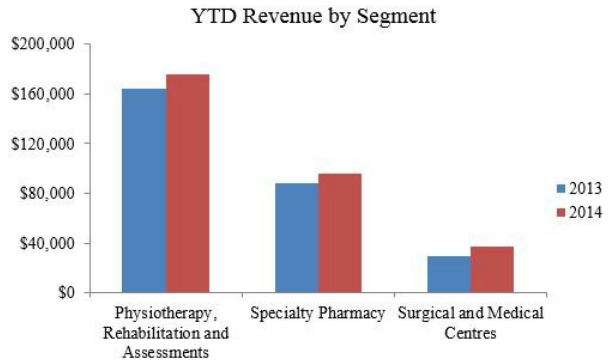
This section presents the results of operations for the years ended December 31, 2014 and 2013 for the various operating segments of the Company. As a result of the strategic initiative to define the Company's long term operating model and the Company's decision to divest substantially all of its retail and home medical equipment operations, the Company's Chief Operating Decision Maker ("CODM") has amended the manner in which the business is operated and accordingly how financial information is presented to the CODM. As a result, the Company has amended its reportable operating segments and will now present three reportable operating segments rather than five reportable operating segments as was previously presented. Operating segments, as reported to the CODM are as follows: Physiotherapy, Rehabilitation and Assessments, Specialty Pharmacy, and Surgical and Medical Centres. The assessment operations which were separately reported in the past are now reported as part of the renamed Physiotherapy, Rehabilitation and Assessments segment. This segment was previously named the Physiotherapy segment. As a result of the divestiture of the majority of its retail and home medical equipment segment, the remaining component of this segment will now be reported as part of the Physiotherapy, Rehabilitation and Assessments segment. Comparative balances have been amended to reflect the presentation of three reportable operating segments. 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.

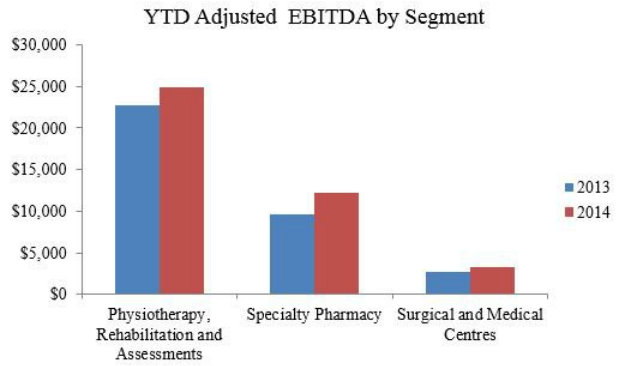
For the three months ended December 31,	**Revenue**		**Adjusted EBITDA from continuing operations**			
(thousands of Canadian Dollars)	**2014 $**	2013 $	**2014 $**	**%**	2013 $	%
Physiotherapy, Rehabilitation and Assessments	**44,024**	41,419	**6,327**	**14.4**	5,664	13.7
Specialty Pharmacy	**24,579**	23,582	**3,254**	**13.2**	2,877	12.2
Surgical and Medical Centres	**9,642**	7,588	**609**	**6.3**	536	7.1
Corporate	**—**	—	**(3,186)**	**—**	(3,157)	—
Total	**78,245**	72,589	**7,004**	**9.0**	5,920	8.2





For the years ended December 31,	Revenue		Adjusted EBITDA from continuing operations			
(thousands of Canadian Dollars)	**2014 $**	2013 $	**2014 $**	**%**	2013 $	%
Physiotherapy, Rehabilitation and Assessments	**175,142**	163,803	**24,930**	**14.2**	22,684	13.8
Specialty Pharmacy	**95,576**	87,825	**12,201**	**12.8**	9,581	10.9
Surgical and Medical Centres	**37,356**	29,520	**3,321**	**8.9**	2,665	9.0
Corporate	**—**	—	**(12,427)**	**—**	(11,170)	—
Total	**308,074**	281,148	**28,025**	**9.1**	23,760	8.5





Physiotherapy, Rehabilitation and Assessments

Revenue for the Physiotherapy, Rehabilitation and Assessments segment increased by 6.2% to $44.0 million from $41.4 million for the three month period ended December 31, 2014 as compared to the three month period ended December 31, 2013. The increase in revenue is mainly a result of organic growth and the addition of four new rehabilitation clinics in 2014. Adjusted EBITDA also increased to $6.3 million from $5.7 million and the Adjusted EBITDA margin improved to 14.4% from 13.7% over these same periods. This increase is also mainly due to organic and acquisition growth partially offset by additional salary costs for certain revenue generating front-line staff in the physiotherapy, rehabilitation and assessments segment which have not yet reached their maximum revenue generating capacity.

For the year ended December 31, 2014, revenue and Adjusted EBITDA were $175.1 million and $24.9 million, respectively as compared to $163.8 million and $22.7 million for the same periods in the prior year. The growth in revenue between the comparative periods is mainly due to organic growth within the core business and the addition of four new rehabilitation clinics. This also contributed to the increase in Adjusted EBITDA. EBITDA margin improved to 14.2% from 13.8% over the prior period. Partially offsetting this increase are expected inflationary increases in salary and occupancy costs and the impact of additional salary costs for certain revenue generating front-line staff in the physiotherapy, rehabilitation and assessments segment which have not yet reached their maximum revenue generating capacity.

Specialty Pharmacy

Revenues for Specialty Pharmacy increased to $24.6 million from $23.6 million for three month period ended December 31, 2014 as compared to the same period in the prior year. Adjusted EBITDA increased to $3.3 million from $2.9 million and the Adjusted EBITDA margin improved to 13.2% from 12.2% over these same periods. The growth in revenue is mainly due to organic growth through the increase of script counts and the number of beds serviced in addition to the offering of ancillary services to existing customers. The improvement in Adjusted EBITDA is also attributed to organic growth partially offset by additional leasehold costs from the opening of a new dispensing facility in the first quarter of 2014.

For the year ended December 31, 2014, revenue increased to $95.6 million from $87.8 million for the comparative period in the prior year. Over the same comparative periods, Adjusted EBITDA and Adjusted EBITDA margins improved to $12.2 million and 12.8% from $9.6 million and 10.9%, respectively. The growth in revenue and Adjusted EBITDA is mainly due to increased script counts and the number of beds serviced in addition to the offering of ancillary services to existing customers. Growth in Adjusted

EBITDA is also a result of incremental personnel costs in the first three quarters of 2013 associated with the implementation of EMAR for certain long-term care home contracts, which has been completed for most existing customers. In addition, during the fourth quarter of 2014, the Company opened a co-location pharmacy in the Richmond Oval center, British Columbia. This increase was partially offset by additional leasehold costs from the opening of a new dispensing facility in the first quarter of 2014.

Surgical and Medical Centres

The Surgical and Medical Centres segment grew its revenue and Adjusted EBITDA for the three month period ended December 31, 2014 to $9.6 million and $0.6 million from $7.6 million and $0.5 million for the same periods in the prior year. The main driver for this growth is the Company's acquisition of SmartShape in December 2013. The EBITDA margin was 6.3% for the quarter, compared to 7.1% for the previous period. The margin was impacted by one-time landlord make whole payment that occurred at the Windsor location.

For the year ended December 31, 2014, revenue increased to $37.4 million from $29.5 million for the same period in the prior year and Adjusted EBITDA increased to $3.3 million from $2.7 million between these same periods. These increases over the prior year can mainly be attributed to the Company's acquisition of SmartShape which has been accretive, partially offset by the impact of temporary closures of the CSS and Don Mills facilities for renovations in 2014. The impact of the above referenced one-time cost incurred in the fourth quarter is minimized in the annual EBITDA margins of 8.9% for 2014 as compared to 9.0% for the previous period.

Discontinued Operations

For the twelve month periods ended December 31, 2014 and 2013, the Company's discontinued operations consist of the retail and home medical equipment operations, methadone pharmacy operations, seniors wellness operations, homecare business and the Sarnia surgical centre operations. Revenues are no longer earned from the methadone pharmacy and retail and home medical equipment businesses as these transactions closed on August 29, 2014 and September 12, 2014, respectively. Revenues are no longer earned from the seniors wellness and homecare businesses as these transactions closed on May 8, 2014. Additionally, the Company no longer earns revenue from its surgical operations in Sarnia, Ontario as this location closed in June 2014.

Revenue and Adjusted EBITDA from discontinued operations for the twelve month period ended December 31, 2014 and 2013 decreased to $92.7 million and $1.2 million from $174.7 million and $9.8 million, respectively. These decreases are mainly a result of change in funding for seniors services in Ontario enacted in August 2013 which impacted the Company's seniors wellness operations. The change in funding combined with the the perceived conflict of interest matter impacted the Company's retail and home medical equipment operations in the first half of 2014. Also, the timing of the dispositions contributed to this decrease as the results of the discontinued businesses were only included up to their disposition dates in the current year, but for the full year in the comparable period.

Subsequent to year ended December 31, 2014, Active Health ("Seniors Wellness") and Community Advantage Rehabilitation ("CAR") were re-acquired. Both businesses will be included in results for continuing operations, under Centric Health's Physiotherapy, Rehabilitation and Assessments segment for 2015, and comparable periods.

Liquidity and Capital Resources

The Company manages its capital structure based on the funds available to the Company in order to support the continuation and expansion of its operations. The Board of Directors establishes quantitative return on capital criteria, which it reviews with management on a regular basis. The Company defines capital to include share capital, warrants and the stock option component of its shareholders' equity as well as its Revolving Credit Facility, second lien senior secured notes, 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 securities such as convertible debt, or by replacing existing debt with debt on terms more consistent with the Company's needs.

In June 2014, the Company announced it had entered into definitive agreements to sell substantially all of its retail and home medical equipment operations for gross proceeds of $50.0 million and to sell its methadone pharmacy operations for gross proceeds of $20.0 million. The sale of the methadone pharmacy operations closed on August 29, 2014 and the sale of the retail and home medical equipment operations closed on September 12, 2014.

Under the April 2013 trust indenture for the second lien senior secured notes, net proceeds from divestitures can be redeployed for permitted business acquisitions, capital expenditures, acquisitions of non-current assets, repayment of senior debt that is a permanent reduction of such debt, repayment of secured debt (subject to early redemption at the Company’s option), redemption of up to $35.0 million of preferred partnership units, once the target ratio of total secured debt to cash flow is achieved. The trust indenture for the second lien senior secured notes also requires the Company maintain a minimum of $25.0 million Revolving Facility for working capital purposes.

On August 29, 2014, the Company repaid $10.0 million of its Revolving Facility resulting in a permanent reduction in the capacity of the Revolving Facility from $50.0 million to $40.0 million. The Company intends to make a further $15.0 million debt reduction through a combination of additional reduction of the Revolving Facility, redemption of second lien senior secured notes and redemption of the preferred partnership units. While the Company evaluates its debt repayment options, on September 19, 2014, the Company made a temporary repayment of an additional $15.0 million against the Revolving Facility which further reduced the capacity of the Revolving Facility to $25.0 million. However, the capacity on the Revolving Facility can be increased to $40.0 million with an equivalent return of funds to the escrow cash account for the proceeds of sale from the non-core businesses as long as the Company is not in default under the Revolving Facility. The Company's Revolving Facility matures on June 9, 2015, however, the Company plans to renegotiate this facility with its lenders.

In August 2014, as a result of the pending divestiture of certain non-core operations and subject to the completion of these divestitures, the Company received a waiver from a financial performance covenant at the September 30, 2014 measurement date and amendments to certain financial performance covenants for the remaining measurement dates up to the maturity of the Revolving Facility in June 2015. In December 2014, the Company received a waiver from a financial performance covenant at December 31, 2014 and March 31, 2015. The Company was in compliance with its financial performance covenants at December 31, 2014, except for the one financial covenant for which the Company received a waiver in December 2014.

The Company has at December 31, 2014 $36.3 million of restricted cash representing the balance of net proceeds from the sale of the methadone pharmacy operations and the retail and home medical equipment business. In February 2015, the Company obtained approval to use $26.0 million of this restricted cash from both the second lien senior secured notes and revolving facility lenders to fund the cash cost of the acquisition of specialty pharmacy business Pharmacare Fulfillment Center Ltd. (the "Care Plus Group") on March 2, 2015 as described in the subsequent events section of this MD&A.

With the completion of this accretive acquisition and the Company's 2015 projected improved budget from operations over 2014 results through organic growth, operational improvements and cost containment, the Company plans to renegotiate its existing Revolving Facility with its lenders. The Company intends to use the remaining restricted cash to reinvest in its core businesses through accretive acquisitions or further debt reductions.

The Company anticipates it will generate sufficient cash flow in 2015 to meet its obligations as they come due through improved operating performance and completion of the accretive pharmacy acquisition described above. There can be no assurance that the Company will be successful in achieving the results as set out in its operating plan in each of the quarters in 2015.

Cash Flow

Cash flow activities for the year ended December 31, 2014 were as follows:

Operating Activities

For the year ended Decemeber 31, 2014, cash provided by operating activities was $19.7 million compared to cash provided by operating activities of $20.2 million for the year ended December 31, 2013. The Company has generated positive cash flows from operating activities for eleven consecutive quarters as the Company has focused on cash management initiatives. In addition, included in operating activities are transaction and restructuring costs incurred of $5.4 million for the twelve month period ended December 31, 2014. Cash provided by operating activities, exclusive of transaction and restructuring costs, was $25.1 million for the year ended December 31, 2014.

Investing Activities

For the year ended December 31, 2014, the Company received $16.9 million from investing activities as compared to a use of $12.8 million for the year ended December 31, 2013. During the third quarter, the Company received net proceeds of $62.6 million from the divestiture of non-core businesses. As at December 31, 2014, the Company had $36.3 million of these net proceeds held in escrow. The use of these funds is restricted as described above. The Company's capital expenditures have decreased for the year ended December 31, 2014 to $7.7 million from $9.3 million in the comparable period due to additional spending in the prior year for the development of an IT platform for the retail and home medical equipment operations. In the second quarter of 2014, as part of the sale of CAR and Active Health, the Company included $1.4 million of cash in these businesses so that they had a sufficient float to operate subsequent to the sale.

Financing Activities

During the year ended December 31, 2014, the Company repaid $8.0 million of its Revolving Facility. The Company paid $27.3 million in cash interest on its borrowings for the year ended December 31, 2014 as compared to $23.4 million for comparable period ended December 31, 2013. The increase over the twelve month period is due to the timing of payments and the associated interest rate during the year. In the first quarter of 2013, the Company paid interest on its old Term Loan on a monthly basis, whereas interest on the second lien senior secured notes, which replaced the Term Loan in April 2013, is paid twice annually in the second and fourth quarters. In 2013, the Company made its first interest payment on the second lien senior secured notes in the fourth quarter, whereas in 2014 an interest payment was made in the second quarter and a subsequent payment followed in the fourth quarter.

The Company had a cash balance of $0.2 million on hand and restricted cash of $36.3 million as at December 31, 2014. The Company maintains a long-term view of its cash on hand and debt repayment plans as outlined in its Business Strategy.

Contractual Commitments[5]

The Company's contractual commitments at December 31, 2014, are as follows:

(thousands of Canadian Dollars)	Total ($)	1 year ($)	2-3 years ($)	4-5 years ($)	Thereafter ($)
Trade payables and other amounts	**41,986**	41,986	—	—	—
Second lien senior secured notes	**200,000**	—	200,000	—	—
Revolving Facility	**15,000**	15,000	—	—	—
Finance leases	**252**	115	137	—	—
Interest payments on borrowings	**65,438**	20,880	39,427	5,131	—
Operating leases	**47,421**	9,964	16,273	11,037	10,147
	370,097	87,945	255,837	16,168	10,147
Preferred partnership units	**36,102**	—	—	—	36,102
	406,199	87,945	255,837	16,168	46,249

[5] Contractual commitments are presented based on the Company's legal obligation to remit payment. The Company does not have a legal obligation to repay the preferred partnership units until 2084, however, the Company intends on redeeming the preferred partnership units by June 9, 2017

On April 18, 2013, the Company completed a $200.0 million public offering of second lien senior secured notes which bear interest at 8.625% and mature on April 18, 2018.

The Company has a contractual obligation to pay Alaris Income Growth Fund ("Alaris") annual distributions on preferred partnership units. The principal balance grows at 4% annually from the third anniversary of June 9, 2014. The Company is not required to redeem the preferred partnership units until 2084. Alaris is entitled to annual distributions of $4.1 million for the annual period commencing July 1, 2014 with annual increases of 4% at the end of each year thereafter. The Company intends on repaying the preferred partnership units by June 9, 2017 and has presented this amount as a long-term liability. The Company is accreting to interest expense the amount expected to be payable on June 9, 2017 of $39.9 million.

The Company incurs interest on its Revolving Facility. Future interest to be paid on the Revolving Facility cannot be reasonably determined due to the ongoing fluctuation of the Revolving Facility balance. The 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 not borrowed.

The Company incurs quarterly interest payments on its interest rate swap. This swap is tied to market conditions and as such interest to be paid from the interest rate swap cannot be reasonably determined.

The Company has $5.0 million in convertible debt with a related party which may be settled in cash or common shares at the option of the holder and $53.3 million 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 December 31, 2014, the Company had total shares outstanding of 155,502,902. The outstanding shares include 2,113,916 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 and cancellation based on formulas specific to each transaction. Escrowed and restricted shares are not reflected in the shares reported on the Company's financial statements. Accordingly, for financial reporting purposes, the Company reported 153,388,986 common shares outstanding as at December 31, 2014 and 133,363,294 shares outstanding at December 31, 2013.

The Company has convertible borrowings outstanding at December 31, 2014 where the conversion is at the option of the Company as follows:

Debt instrument	Principal ($)	Number of Common Shares Issuable	Maturity	Interest Rate
Directed share program	10,808	3,464,103	December 22, 2016	6.00%
Private placement	15,000	16,129,032	April 30, 2016	5.50%
Public debt	27,500	24,553,571	October 31, 2017	6.75%
	53,308	**44,146,706**		

On January 1, 2014, the Company released 200,000 restricted shares to the Company's CEO.

On May 28, 2014, GHIS exercised 18,650,000 common share purchase warrants at a strike price of $0.33 per common share for the gross consideration of $6.1 million, a reduction of $4.2 million was made to settle the completion fees of $1.4 million from the LifeMark acquisition and the financing fee of $2.8 million related to specific 2011 financing activities previously due and payable to GHIS.

On June 25, 2014, the Company issued 1,436,513 restricted share units to management and employees which entitles the holders to 1,436,513 common shares of the Company. Of the restricted share units issued, 125,000 vest immediately, the remainder vest evenly over three years. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.41 per share. Of the restricted share units issued, 348,837 can be settled in cash or common shares of the Company at the option of the holder. The restricted share units which can be settled in cash or common shares of the Company have been treated as a liability award.

On June 30, 2014, the Company issued 1,335,000 restricted share units to management and employees which entitles the holders to 1,335,000 common shares of the Company over the vesting period. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.40 per share and vest equally over three years.

On August 8, 2014 the Company issued 80,000 restricted share units to management and employees which entitled the holders to 80,000 common shares of the Company. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.41 per share and vest equally over three years.

On May 16, 2014, the Company canceled 1,500,000 escrowed shares associated with the acquisition of Performance Medical Group ("Performance"). On December 31, 2014, the Company canceled 6,618,080 escrowed shares associated with the acquisition of Blue Water Diagnostics Ltd. ("BWG"), including the acquisition of LSC, and 9,004,641 escrowed shares associated with the acquisition of its Motion Specialties ("Motion") operations.

As at December 31, 2014, there were a total of 6,871,000 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $1.45, expiring at various dates through 2017. The number of exercisable options at December 31, 2014, was 4,619,500 with a weighted average exercise price of $1.52.

As at December 31, 2014, there were a total of 3,414,835 restricted share units to grant an equivalent number of common shares.

As at December 31, 2014, there were 12,694,427 warrants outstanding at a weighted average exercise price of $1.31.

Should all outstanding options and warrants that were exercisable at December 31, 2014 be exercised, the Company would receive proceeds of $20.8 million.

Effective January 1, 2015 an additional 300,000 of these shares became freely tradeable.

As at the date of this report, March 3, 2015, the number of shares outstanding, including escrowed shares, is 159,850,725; the number of options outstanding is 7,671,000; the number of warrants outstanding is 12,694,427; and the number of restricted share units outstanding is 3,201,657. Included in the shares outstanding are 1,813,916 restricted shares, shares held in escrow, or in trust, and are not freely tradable.

Transactions with Related Parties

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

Related party transactions

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 59,551,287 shares or approximately 38% of the issued and outstanding common shares of the Company as at December 31, 2014. This ownership percentage disclosed assumes the issuance of 2,113,916 escrowed and restricted shares in the total common shares considered to be outstanding.

On May 28, 2014, GHIS exercised 18,650,000 common share purchase warrants at a strike price of $0.33 per common share. Of the gross consideration of $6.2 million, a reduction of $4.2 million was made to settle the completion fees of $1.4 million from the LifeMark acquisition and the financing fee of $2.8 million related to specific 2011 financing activities previously due and payable to GHIS.

On March 21, 2013, GHIS and the Company negotiated an amended consulting agreement which eliminated the completion fees, removed the consulting fees for the year ended December 31, 2013, and amended the consulting fees to $0.08 million per month from January 2014 to the completion of the agreement in June 2015. The Company issued 4,802,311 common shares to GHIS on July 3, 2013 which is an equivalent of $2.2 million 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 were subject to a one year hold period unless the Company's Board of Directors approves an earlier release date. The Company's shareholders approved the amended consulting agreement on May 9, 2013. The Company has recorded stock based compensation expense of $2.8 million for the year ended December 31, 2013 representing the fair value of the shares approved on May 9, 2013. On March 21, 2013, GHIS waived their consulting fees for the fourth quarter of 2012.

For the year ended December 31, 2014, the Company incurred $0.9 million in GHIS consulting fees, $0.1 million in GHIS travel related expenses and $0.1 million in interest on related party amounts.

Included in trade payables and other amounts at December 31, 2014 and December 31, 2013 are $0.2 million and $4.2 million, respectively, due to GHIS; and $25 thousand and $25 thousand, respectively for interest payable to Jamon.

The Company holds a lease agreement for the use of a medical office as part of its Performance Medical Group operations which is owned by a director of Performance Medical Group. The Company lease expense for this location for the year ended December 31, 2014 was $0.1 million (2013 - $0.1 million).

The Company holds a lease agreement for the use of an office and dispensing location as part of its pharmacy operations which is partially owned by a member of the pharmacy segment senior management team. The Company's lease expense for this location for the year ended December 31, 2014 was $0.2 million.

During the year, a settlement for a dispute was reached with one of its vendors (whose principal is also a current employee of the Company).

Related party loans

The Company has a promissory note with Jamon for $5.0 million that bears interest at 6% with a conversion feature which is due April 30, 2018. The conversion price for the note is $0.46 per share and the conversion of the note is at the option of the holder. 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 $0.46 per share which expires on April 30, 2018.

In the third quarter of 2014, the Company launched a Key Employee Engagement Share Plan ("KEESP") to enable eligible employees to acquire common shares of the Company. The KEESP allows employees to contribute towards the purchase of common shares of the Company whereby the Company will match employee contributions by up to three times with payments capped at a predetermined level. The portion of funds matched by the Company is repayable by the employees as a promissory note bearing

interest at 3% and repayable in equal annual installments over five years. A receivable from employees of $0.1 million has been included in trade and other receivables.

On August 14, 2012, the Company entered into a promissory note with the Company's CEO for $0.5 million who is a director and officer of the Company. This promissory note bears interest at 4% per annum. The promissory note and related interest will be forgiven by the Company if the CEO is employed on the maturity date of September 3, 2016. If the CEO resigns prior to September 3, 2016, the promissory note and related interest is repayable on demand. In addition, a private placement for 782,227 common shares at a price of $0.64 per share and 782,227 warrants at a price of $0.75 per share was completed with the CEO on August 14, 2012.

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 and on January 1, 2014 the Company released an additional 200,000 shares which became freely tradeable. Effective January 1, 2015 an additional 300,000 of these shares became freely tradeable.

Summary of Quarterly Results

	Q4 2014 $	Q3 2014 $	Q2 2014 [9] $	Q1 2014 $
(thousands of Canadian Dollars)				
Revenue	78,245	75,625	79,060	75,144
Adjusted EBITDA from continuing operations	7,004	7,019	7,458	6,544
Adjusted EBITDA per share from continuing operations:				
Basic	$0.05	$0.05	$0.05	$0.05
Diluted	$0.03	$0.03	$0.04	$0.03
Net loss from continuing operations	(8,821)	(8,648)	(11,361)	(8,763)
Loss per share from continuing operations				
Basic	$(0.05)	$(0.06)	$(0.08)	$(0.07)
Diluted	$(0.05)	$(0.06)	$(0.08)	$(0.07)
Adjusted EBITDA	7,004	7,223	8,234	6,715
Adjusted EBITDA per share:				
Basic	$0.05	$0.05	$0.06	$0.05
Diluted	$0.03	$0.03	$0.04	$0.04
Net income (loss)	(8,035)	743	(21,952)	(27,959)
Earnings per share				
Basic[4]	$(0.04)	$—	$(0.15)	$(0.21)
Diluted[4]	$(0.04)	$—	$(0.15)	$(0.21)

	Q4 2013 [8] $	Q3 2013 [8] $	Q2 2013 [8] $	Q1 2013 [8] $
Revenue	72,589	68,962	72,663	66,934
Adjusted EBITDA from continuing operations	5,920	6,286	6,778	4,776
Adjusted EBITDA per share from continuing operations:				
Basic	$0.04	$0.05	$0.05	$0.04
Diluted	$0.03	$0.03	$0.04	$0.03
Net income (loss) from continuing operations	(20,320)	(5,408)	(14,751)	2,078
(Loss) earnings per share from continuing operations:				
Basic	(0.15)	(0.04)	$(0.12)	$0.02
Diluted	(0.15)	(0.04)	$(0.12)	$0.01
Adjusted EBITDA	6,186	8,559	11,027	7,829
Adjusted EBITDA per share				
Basic	$0.05	$0.06	$0.09	$0.06
Diluted	$0.03	$0.05	$0.06	$0.04
Net (loss) income	(39,257)	(40,590)	(13,968)	2,965
(Loss) earnings per share				
Basic[4]	$(0.30)	$(0.31)	$(0.11)	$0.02
Diluted[4]	$(0.30)	$(0.31)	$(0.11)	$0.02

[8] Adjusted EBITDA includes a restatement of previously reported amounts in order to reflect the impact of a non-cash, non-recurring adjustment related to the annual inventory count and valuation of the Company's retail and home medical equipment operations at December 31, 2013. For the quarters ended March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013 the impact of the adjustment was $1,915, $2,185, $1,819 and $1,859, respectively. The impact of the adjustment including the effect of income taxes was $1,408, $1,606, $1,337 and $1,366, respectively.

[9] Included in net loss from continuing operations is an adjustment of $1,523 for income tax expense between continuing operations and discontinued operations for the three month period ended June 30, 2014.

The Company has shown steady long-term Revenue growth in its core operations which is illustrative of the Company's overall growth both organically and through accretive acquisitions in 2014. The Company's Revenue and Adjusted EBITDA from continuing operations for each comparable quarter has improved over the prior year. The Company's Revenue from continuing operations has increased by $5.7 million or 7.8% from the fourth quarter of 2013 to the fourth quarter of 2014. Adjusted EBITDA has also increased by 18.3% during this period driven by organic growth, accretive acquisitions and cost efficiencies including the rationalization initiatives undertaken in the assessments operations within the Physiotherapy, Rehabilitation and Assessments segment in response to regulatory changes that were introduced in Ontario in the fall of 2010.

The volatility in net (loss) income quarter over quarter 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 and restructuring costs tend to be proportionate with the size of any acquisitions completed and any restructuring initiatives leading to fluctuations in charges against earnings in certain quarters in 2012, 2013 and 2014.

Revenue from continuing operations grew from $75.1 million to $78.2 million between the first quarter of 2014 and the fourth quarter of 2014. Adjusted EBITDA also increased between the first and fourth quarters of 2014 from $6.5 million to $7.0 million. However, Revenue and Adjusted EBITDA decreased from the second quarter to third quarter of 2014. These decreases are consistent with expectations as the second quarter tends to be seasonally stronger for the Company.

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 December 31, 2014, the Company's DC&P has been designed effectively to provide reasonable assurance that (a) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted, recorded, processed, summarized and reported within the time periods specified in the securities legislation. They have also concluded that the Company's ICFR have been designed effectively to provide reasonable assurance regarding the reliability of the preparation and presentation of the financial statements for external purposes and that ICFR were effective as at December 31, 2014. The Company used the COSO control framework to evaluate 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 year ended December 31, 2014, which has materially affected, or is reasonably likely to materially affect the Company's ICFR. Based on their evaluation of these controls for the year end December 31, 2014, the CEO and CFO have concluded that these controls are operating effectively.

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, the recognition of contingent consideration and the valuation of deferred tax assets and tax provisions.

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 August 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 were no triggering events for continuing operations in 2014. The Company completed a reconciliation on September 30, 2014 between their market capitalization and the fair value of their CGUs in order to confirm the conclusions 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.

In connection with the November 2011 purchase of Classic Care Pharmacy Corporation, a dispute has arisen under the definitive agreement entered into by the Company with one of the vendors thereunder (whose principal is also a current employee of the Company). The dispute is subject to a confidential and binding arbitration agreement. As part of the agreement, the Company agreed to contingent payment terms which may be payable if the Company's share price does not reach predetermined levels as specified in the terms of the settlement. As a result, the Company recorded a contingent consideration liability of $1.9 million (2013 - $nil).

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. 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 $19.4 million which the Company has not recorded at December 31, 2014

Accounting Changes

Effective January 1, 2014, the Company adopted the following accounting standards:

IFRS 10, *Consolidated Financial Statements,* was amended to establish whether an entity meets the definition of an investment entity and establishes guidance on consolidation. An investment entity shall not consolidate its subsidiaries or apply IFRS 3 Business Combinations when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments.

IAS 27, *Separate Financial Statements,* was amended to include requirements for the preparation of separate financial statements and disclosure requirements for investment entities as defined in IFRS 10 Consolidated Financial Statements.

IAS 32, *Financial Instruments: Presentation,* was amended to provide further guidance on the application of the established criterion to offset a financial assets with a financial liability. The adoption of the amended standards did not have a significant impact on the Company's annual consolidated financial statements. The Company has included additional note disclosures in the annual consolidated financial statements related to this standard, where applicable.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 9 *Financial instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has not assessed the full impact of IFRS 9.

IFRS 15 *Revenue from contracts with customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction contracts* and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Company has not assessed the full impact of IFRS 15.

Off-Balance Sheet Arrangements

As at December 31, 2014, the Company has no off-balance sheet arrangements.

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).

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 borrowings of the Company are secured by its lenders 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 lenders may realize on its security and liquidate the assets of the Company.

The Company intends to redeem the prefered partnerships by June 2017. The Company's ability to make the redemption payment is dependent on the Company's free cash flow and the completion of alternative financing arrangements with more favorable terms. There can be no certainty that the Company can generate the cash requirements to make this redemption prior to June 2017, however the Company has no legal obligation to redeem the preferred partnership units until 2084. If the Company determines that this intention will not be met as reported, the Company will establish a new timeline for the redemption of the preferred partnership units.

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.

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.

Management of the Company recently became aware of initiatives intended to compel enforcement by the Medicare Services Commission of the Government of British Columbia (the “Commission”) of certain provisions of the *Medicare Protection Act* (British Columbia) (“Act”) against private clinics operating in the province with the use of doctors enrolled in the Medicare Services Plan of British Columbia (the “Plan”). The Plan insures medically-necessary services for residents of British Columbia. Under the Act, enrolled doctors are prohibited from providing services in both the public and private systems. The Company’s subsidiary, False Creek Health Care Centre LP (“False Creek”), operates a private clinic in British Columbia that uses the services of independent doctors that are enrolled under the Plan. A constitutional challenge has been brought by another private clinic in British Columbia challenging certain provisions of the Act, including the prohibition of enrolled doctors from providing services in both the public and private systems. The goal of the challenge is to have the Commission remove the restrictions that prevent British Columbia residents from obtaining timely, and potentially life-saving, medical care.The matter was set to go to trial in September 2014, but had been adjourned until March 2, 2015 to allow for settlement discussions. On February 24, 2015 the Ministry of Health in British Columbia announced a further adjournment to be determined on a future date. If the constitutional challenge is successful

then this should dispose of initiatives intended to compel enforcement by the Commission of certain provisions of the Act. If the constitutional challenge is unsuccessful and the Commission commences initiatives aimed at enforcement of the Act, it could have a direct impact on a portion of the surgical procedures at False Creek. Enforcement measures of the Commission could include compelling of facility audits, injunctions and/or penalties or other compensatory measures. There can be no assurance at this time as to the outcome of the constitutional challenge or any initiatives of the Commission as against enrolled doctors or private clinics in British Columbia. The Company is actively monitoring the developments in the constitutional challenge, as well as conducting its own investigations into the applicability of, and measures under, the Act.

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. Where the Company has material contracts with a counterparty to provide products and/or services, the termination of such contracts could have an impact on the financial results of an operating segment.

Acquisitions and Integration

The Company expects to make acquisitions of various sizes that fit particular niches within Centric Health'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 Health integrates these acquired companies into its existing businesses may have a significant short-term impact on Centric Health'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 Health'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 Health'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 Health'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.

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.

The Company makes acquisitions of various sizes that may involve consideration to vendors in the form of cash and securities of the Company, as well as adjustment or contingent consideration that may take the form of price protection, earn-outs or performance rewards over a period of time. Contestation by vendors at a future date of actual, or applicable, entitlements under the negotiated agreements can happen, and may result in liabilities and contingencies to the Company or strained working relationships with vendors turned key employees in connection with the acquisition.

Referrals

The success of Centric Health's assessments operations 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 Health could be adversely affected.

In addition, in the Surgical and Medical Centres segment, the patient referrals are dependent on the surgical practitioners affiliated therewith. 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 Health could be adversely affected.

Competition

The markets for Centric Health'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, retirement homes and long-term care homes and patients, there is little to prevent the entrance of those wishing to provide similar services to those provided by Centric Health and its subsidiaries. The businesses operating in the Physiotherapy, Rehabilitation 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 Health 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 Health. The Company has entered into agreements with long-term care and retirement homes for the provision of pharmacy services. As these agreements reach their conclusion, there can be no assurances that the counterparties will renew or extend these agreements.

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 Health '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.

Information Technology Systems

Centric Health'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 Health's insurance policies may not provide adequate compensation.

Exposure to Epidemic or Pandemic Outbreak

As Centric Health'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. The Company has developed protocols and procedures should they be required to deal with any potential Ebola outbreaks impacting its facilities. Despite appropriate steps being taken to mitigate such risks, there can be no assurance that existing policies and procedures will ensure that Centric Health's operations would not be adversely affected.

Confidentiality of Personal and Health Information

Centric Health 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 Health is found to have violated any law or regulation, it could be liable for damages or for criminal fines or penalties.

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 Company will compete with other potential employers for employees and it may not be successful in keeping the services of the executives and other employees, including healthcare professionals that it requires. The loss of highly skilled executives and 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 Health 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 Health, 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.

Accounting, Tax and Legal Rules and Laws

Any changes to accounting and/or tax standards and pronouncements introduced by authorized bodies may impact on the Company's financial performance. Additionally, changes to any of the federal and provincial laws, regulations or policies in jurisdictions where the Company operates could materially affect the Company's operations and its financial performance. The Company may also incur significant costs in order to comply with any proposed changes. The Company's failure to comply with laws, regulations or policies may expose the Company to legal or regulatory proceedings which could have a material impact on the Company's financial performance.

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. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes. Management is responsible for establishing and maintaining adequate internal controls over financial reporting appropriate to the nature and size of the Company. 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 Health'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.

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.

Ethical Business Conduct

A violation of law, the breach of Company policies or unethical behaviour may impact on the Company's reputation which in turn could negatively affect the Company's financial performance. The Company has established policies and procedures, including a Code of Business Conduct, to support a culture with high ethical standards.

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, users are cautioned that these measures should not be construed as alternatives to net income determined in accordance with IFRS. The non-IFRS measures presented are unlikely to be comparable to similar measures presented by other issuers.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA per share

The Company defines EBITDA as earnings before depreciation and amortization, interest expense, amortization of lease incentives, and income tax expense (recovery). Adjusted EBITDA is defined as EBITDA before transaction and restructuring costs, change in fair value of contingent consideration liability, impairments, change in fair value of derivative financial instruments, gain on disposal of property and equipment and stock based compensation expense. Adjusted EBITDA Margin 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 measures cash generated from operations which the Company can use to fund working capital requirements, service interest and principal debt repayments and fund future growth initiatives. The Company's agreements with senior lenders are structured with certain financial performance covenants which includes Adjusted EBITDA as a key component of the covenant calculations. EBITDA and Adjusted EBITDA are not recognized measures under IFRS. EBITDA and Adjusted EBITDA are as follows for the three and twelve months ended December 31, 2014 and 2013:

	For the three months ended December 31,		**For the years ended December 31,**	
	2014	2013	**2014**	2013
(thousands of Canadian Dollars)	**$**	$	**$**	$
Net loss from continuing operations	**(8,821)**	(20,320)	**(37,593)**	(38,401)
Depreciation and amortization	**6,474**	6,407	**25,917**	26,273
Interest expense	**8,107**	8,305	**32,909**	36,194
Amortization of lease incentives	**(10)**	(3)	**120**	118
Income tax (recovery) expense	**(1,222)**	11,746	**(1,658)**	6,733
EBITDA from continuing operations	**4,528**	6,135	**19,695**	30,917
Transaction and restructuring costs	**2,454**	1,562	**5,381**	3,764
Change in fair value of contingent consideration liability	**113**	(2,587)	**808**	(12,562)
Impairments	**—**	—	**—**	—
Stock-based compensation expense	**415**	574	**1,814**	6,520
Change in fair value of derivative financial instruments	**(505)**	229	**326**	(4,886)
Gain on disposal of property and equipment	**(1)**	7	**1**	7
Adjusted EBITDA from continuing operations	**7,004**	5,920	**28,025**	23,760
Adjusted EBITDA from discontinued operations	**—**	(2,352)	**1,151**	9,841
Adjusted EBITDA	**7,004**	6,186	**29,176**	33,601
Basic weighted average number of shares	**153,331**	132,739	**145,221**	129,032
Adjusted EBITDA per share from continuing operations (basic)	**$0.05**	$0.04	**$0.19**	$0.18
Adjusted EBITDA per share (basic)	**$0.05**	$0.05	**$0.20**	$0.26
Fully diluted weighted average number of shares	**211,199**	184,737	**201,689**	184,984
Adjusted EBITDA per share from continuing operations (diluted)	**$0.03**	$0.03	**$0.14**	$0.13
Adjusted EBITDA per share (diluted)	**$0.03**	$0.03	**$0.14**	$0.18

Adjusted EBITDA by segment has been determined as follows for the years ended December 31, 2014 and 2013:

	For the three month period ended December 31, 2014				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Net income (loss) from continuing operations before interest expense and income taxes	2,316	1,795	(202)	(5,845)	**(1,936)**
Depreciation and amortization	3,997	1,460	828	189	**6,474**
Amortization of lease incentives	14	(1)	(17)	(6)	**(10)**
EBITDA from continuing operations	**6,327**	**3,254**	**609**	**(5,662)**	**4,528**
Transaction and restructuring costs	—	—	—	2,454	**2,454**
Change in fair value of contingent consideration liability	—	—	—	113	**113**
Stock-based compensation expense	—	—	—	415	**415**
Change in fair value of derivative financial instruments	—	—	—	(505)	**(505)**
Gain on disposal of property and equipment	—	—	—	(1)	**(1)**
Adjusted EBITDA from continuing operations	**6,327**	**3,254**	**609**	**(3,186)**	**7,004**

	For the twelve month period ended December 31, 2014				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Net income (loss) from continuing operations before interest expense and income taxes	8,733	6,271	43	(21,389)	**(6,342)**
Depreciation and amortization	16,031	5,893	3,337	656	**25,917**
Amortization of lease incentives	166	37	(59)	(24)	**120**
EBITDA from continuing operations	**24,930**	**12,201**	**3,321**	**(20,757)**	**19,695**
Transaction and restructuring costs	—	—	—	5,381	**5,381**
Change in fair value of contingent consideration liability	—	—	—	808	**808**
Impairments	—	—	—	—	**—**
Stock-based compensation expense	—	—	—	1,814	**1,814**
Change in fair value of derivative financial instruments	—	—	—	326	**326**
Gain on disposal of property and equipment	—	—	—	1	**1**
Adjusted EBITDA from continuing operations	**24,930**	**12,201**	**3,321**	**(12,427)**	**28,025**

	For the three month period ended December 31, 2013				
	Physiotherapy, Rehabilitation and Assessments $	Specialty Pharmacy $	Surgical and Medical Centres $	Corporate $	Total $
Net income (loss) from continuing operations before interest expense and income taxes	1,675	1,289	(139)	(3,094)	**(269)**
Depreciation and amortization	4,034	1,517	700	156	**6,407**
Amortization of lease incentives	(45)	71	(25)	(4)	**(3)**
EBITDA from continuing operations	**5,664**	**2,877**	**536**	**(2,942)**	**6,135**
Transaction and restructuring costs	—	—	—	1,562	**1,562**
Change in fair value of contingent consideration liability	—	—	—	(2,587)	**(2,587)**
Stock-based compensation expense	—	—	—	574	**574**
Change in fair value of derivative financial instruments	—	—	—	229	**229**
Gain on disposal of property and equipment	—	—	—	7	**7**
Adjusted EBITDA from continuing operations	**5,664**	**2,877**	**536**	**(3,157)**	**5,920**

	For the twelve month period ended December 31, 2013				
	Physiotherapy, Rehabilitation and Assessments $	Specialty Pharmacy $	Surgical and Medical Centres $	Corporate $	Total $
Net income (loss) from continuing operations before interest expense and income taxes	5,663	3,522	(123)	(4,536)	**4,526**
Depreciation and amortization	16,964	5,979	2,788	542	**26,273**
Amortization of lease incentives	57	80	—	(19)	**118**
EBITDA from continuing operations	**22,684**	**9,581**	**2,665**	**(4,013)**	**30,917**
Transaction and restructuring costs	—	—	—	3,764	**3,764**
Change in fair value of contingent consideration liability	—	—	—	(12,562)	**(12,562)**
Stock-based compensation expense	—	—	—	6,520	**6,520**
Change in fair value of derivative financial instruments	—	—	—	(4,886)	**(4,886)**
Gain on disposal of property and equipment	—	—	—	7	**7**
Adjusted EBITDA from continuing operations	**22,684**	**9,581**	**2,665**	**(11,170)**	**23,760**

Proposed Transactions

There are no significant proposed transactions which have not been disclosed.

Subsequent Events

On February 2, 2015 the Company announced that it completed the reacquisition of Community Advantage Rehabilitation, Inc. ("CAR") (previously referred to as the Company's Home Care Operations) and Active Health Services Ltd. ("Active Health") (previously known as the Company's Seniors Wellness Operations) for full repayment of the amounts owing under the two promissory notes issued in favour of the Company. The principal amounts of the notes were $2.5 million and $12.5 million respectively.

On March 2, 2015, the Company announced it had completed the acquisition of 100% of the shares of Pharmacare Fulfillment Center Ltd., an Edmonton-based leading specialty pharmacy business operating under the Care Plus, Pharmacare and Lidia's Pharmacy brands (collectively, the "Care Plus Group"). The total consideration will be settled by cash of up to $34.0 million, of which $26.0 million was payable on closing, and the issuance of up to 12.6 million shares of the Company, of which 4.3 million were issued on closing. The contingent consideration of up to $8.0 million in cash and up to 8.3 million shares is to be paid over a three year period based on the achievement of performance targets as specified in the definitive agreement. The Company also issued warrants to the vendor to purchase up to 4.0 million common shares of the company accrued based on the outperformance of the total three year target.

Additional Information

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

Consolidated Financial Statements
For the years ended December 31, 2014 and 2013

(in thousands of Canadian dollars)

Dated: March 3, 2015

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Centric Health Corporation for the years ended December 31, 2014 and 2013 were prepared by management in accordance with International Financial Reporting Standards, as set out in Part I of the Chartered Professional Accountants of Canada Handbook. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting policies and processes that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 1 to the consolidated financial statements.

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

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

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

"David Cutler" ***"Daniel Gagnon"***

Chief Executive Officer Chief Financial Officer

March 3, 2015

March 3, 2015

Independent Auditor's Report

To the Shareholders of
Centric Health Corporation

We have audited the accompanying consolidated financial statements of Centric Health Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of income and comprehensive income, equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Centric Health Corporation and its subsidiaries as at December 31, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

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

	December 31, 2014	December 31, 2013
	$	$
Assets		
Current assets		
Cash and cash equivalents	**237**	—
Restricted cash (note 2)	**36,302**	—
Trade and other receivables (note 5)	**35,043**	58,531
Loans receivable (note 9)	**11,484**	—
Inventories (note 6)	**5,175**	23,953
Prepaid expenses	**1,645**	2,072
	89,886	84,556
Non-current assets		
Property and equipment (note 7)	**19,021**	26,335
Goodwill and intangible assets (note 8)	**196,501**	270,877
Deferred income tax assets (note 19)	**7,828**	9,140
Loans receivable (note 9)	—	184
Investments in franchisees	—	208
Total assets	**313,236**	391,300
Liabilities		
Current liabilities		
Bank indebtedness	—	2,625
Trade payables and other amounts (notes 10 and 16)	**41,986**	63,831
Current portion of borrowings (note 11)	**15,000**	—
Current portion of finance lease liabilities (note 12)	**115**	120
Current portion of contingent consideration (note 4)	**2,089**	217
Derivative financial instruments (note 11)	**40**	—
	59,230	66,793
Non-current liabilities		
Borrowings (note 11)	**240,158**	257,571
Preferred partnership units (note 13)	**36,102**	35,500
Finance lease liabilities (note 12)	**137**	145
Contingent consideration (note 4)	**2,056**	1,407
Derivative financial instruments (note 11)	—	120
Deferred income tax liabilities (note 19)	**4,150**	10,283
Deferred lease incentives	**3,071**	2,848
Derivative liability portion of convertible borrowings (note 11)	**2,346**	1,720
Total liabilities	**347,250**	376,387
Equity		
Share capital (note 15)	**104,821**	99,081
Warrants	**3,694**	6,590
Contributed surplus	**16,440**	11,179
Equity portion of convertible borrowings	**7,119**	7,119
Accumulated other comprehensive income	**8**	28
Deficit	**(167,269)**	(109,822)
Equity attributable to shareholders of Centric Health Corporation	**(35,187)**	14,175
Non-controlling interests	**1,173**	738
Total equity	**(34,014)**	14,913
Total liabilities and equity	**313,236**	391,300

Subsequent event (note 26)

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

Approved by the Board

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

"Yazdi Bharucha"
Yazdi Bharucha, Director

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

	For the years ended December 31,	
	2014	2013 (Restated - note 21)
	$	$
Revenue	**308,074**	281,148
Cost of healthcare services and supplies	**185,177**	170,985
General and administrative expenses (note 18)	**122,724**	119,321
Transaction, restructuring and other costs (note 3)	**5,381**	3,764
Loss from operations	**(5,208)**	(12,922)
Interest expense (note 17)	**32,909**	36,194
Change in fair value of derivative financial instruments (note 11)	**326**	(4,886)
Change in fair value of contingent consideration liability (note 4)	**808**	(12,562)
Loss before income taxes	**(39,251)**	(31,668)
Income tax expense (recovery) (note 19)	**(1,658)**	6,733
Net loss from continuing operations	**(37,593)**	(38,401)
Loss from discontinued operations (note 21)	**(19,610)**	(52,449)
Net loss	**(57,203)**	(90,850)
Other comprehensive income:		
Amortization of deferred gain on interest rate swaps	**(20)**	(173)
Comprehensive loss	**(57,183)**	(90,677)
Net income (loss) attributable to:		
Shareholders of Centric Health Corporation	**(57,447)**	(91,091)
Non-controlling interests	**244**	241
Comprehensive income (loss) attributable to:		
Shareholders of Centric Health Corporation	**(57,427)**	(90,918)
Non-controlling interests	**244**	241
Basic earnings per common share attributable to shareholders of Centric Health Corporation:		
From continuing operations	**($0.26)**	($0.30)
From discontinued operations	**($0.14)**	($0.41)
From earnings for the year	**($0.40)**	($0.71)
Diluted earnings per common share attributable to shareholders of Centric Health Corporation:		
From continuing operations	**($0.26)**	($0.30)
From discontinued operations	**($0.14)**	($0.41)
From earnings for the year	**($0.40)**	($0.71)
Weighted average number of common shares outstanding (in thousands) (note 15)		
Basic	**145,221**	129,032
Diluted	**201,689**	184,984

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

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

	Number of shares[1]	Share capital $	Warrants $	Contributed surplus $	Equity portion of convertible borrowings $	AOCI[2] $	Deficit $	Equity attributable to the shareholders of Centric Health Corporation $	Non-controlling interest $	Total $
Balance at December 31, 2012	**121,389,445**	**92,201**	**6,256**	**7,928**	**6,498**	**201**	**(18,731)**	**94,353**	**753**	**95,106**
Options and restricted share units vested and issued	1,614,724	858	—	(264)	—	—	—	594	—	594
Shares released from escrow and warrants issued as contingent consideration	3,856,814	2,033	674	—	—	—	—	2,707	—	2,707
Shares released from escrow for compensation	1,500,000	915	—	—	—	—	—	915	—	915
Expiry of warrants	—	—	(297)	297	—	—	—	—	—	—
Settlement of interest rate swap	—	—	—	—	—	(138)	—	(138)	—	(138)
Amortization of deferred gain on interest rate swap	—	—	—	—	—	(35)	—	(35)	—	(35)
Shares issued to GHIS for an amended consulting agreement	4,802,311	2,785	—	(2,785)	—	—	—	—	—	—
Extinguishment of related party loan	—	—	(289)	1,132	(843)	—	—	—	—	—
Renegotiated related party loan	—	—	153	—	1,464	—	—	1,617	—	1,617
Deferred compensation expense	200,000	289	93	4,871	—	—	—	5,253	—	5,253
Payments to non-controlling interests	—	—	—	—	—	—	—	—	(256)	(256)
Net (loss) income for the year	—	—	—	—	—	—	(91,091)	(91,091)	241	(90,850)
Balance at December 31, 2013	**133,363,294**	**99,081**	**6,590**	**11,179**	**7,119**	**28**	**(109,822)**	**14,175**	**738**	**14,913**
Balance at December 31, 2013	133,363,294	99,081	6,590	11,179	7,119	28	(109,822)	14,175	738	14,913
Options and restricted share units vested and issued	838,788	284	—	(233)	—	—	—	51	—	51
Shares released from escrow or treasury and warrants issued as contingent consideration	336,904	129	—	—	—	—	—	129	—	129
Amortization of deferred gain on interest rate swap	—	—	—	—	—	(20)	—	(20)	—	(20)
Shares issued to GHIS on the exercise of warrants (note 16)	18,650,000	5,036	(2,981)	4,128	—	—	—	6,183	—	6,183
Extinguishment of convertible debt	—	—	(10)	10	—	—	—	—	—	—
Deferred compensation expense	200,000	291	95	1,356	—	—	—	1,742	—	1,742
Acquisition of non-controlling interest	—	—	—	—	—	—	—	—	506	506
Payments to non-controlling interests	—	—	—	—	—	—	—	—	(315)	(315)
Net (loss) income for the year	—	—	—	—	—	—	(57,447)	(57,447)	244	(57,203)
Balance at December 31, 2014	**153,388,986**	**104,821**	**3,694**	**16,440**	**7,119**	**8**	**(167,269)**	**(35,187)**	**1,173**	**(34,014)**

[1] Excludes 2,113,916 of contingent shares held in escrow and restricted shares as at December 31, 2014 (note 15).

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

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

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

	For the years ended December 31,	
	2014	2013
Cash provided by (used in):	**$**	$
Operating activities		
Net loss for the period	**(57,203)**	(90,850)
Adjustments for:		
Interest expense (note 17)	**32,909**	36,194
Change in fair value of derivative financial instruments (note 11)	**326**	(4,886)
Gain on disposal of property and equipment	**(11)**	(3)
Depreciation of property and equipment	**5,917**	7,477
Amortization of finite-life intangible assets	**23,794**	27,107
Amortization of lease incentives and lease inducements	**641**	1,375
Income taxes paid	**(6,353)**	(5,223)
Income tax recovery	**(2,606)**	(694)
Stock-based compensation expense (note 18)	**1,814**	6,520
Impairments (note 21)	**21,917**	59,507
Change in the fair value of contingent consideration liability (note 4)	**808**	(12,562)
Gain on sale of business (note 21)	**(5,554)**	—
Net change in non-cash working capital items (note 24)	**3,320**	(3,758)
Cash provided by operating activities	**19,719**	20,204
Investing activities		
Net proceeds from divestitures held in escrow (note 2)	**(36,302)**	—
Net proceeds from sale of businesses	**62,612**	—
Proceeds on disposal of property and equipment	**53**	3
Purchase of intangible assets (note 8)	**(853)**	(1,258)
Purchase of property and equipment (note 7)	**(6,889)**	(8,084)
Acquisition of businesses (note 3)	**(380)**	(1,686)
Payment of contingent consideration (note 4)	**(65)**	(1,063)
Cash transferred as part of the sale of businesses	**(1,436)**	—
Decrease in loans receivable from franchisees	**184**	260
Settlement of interest rate swaps (note 11)	**—**	(966)
Cash provided by (used in) investing activities	**16,924**	(12,794)
Financing activities		
Bank indebtedness	**(2,625)**	2,625
Interest paid	**(27,261)**	(23,392)
Repayment of borrowings	**(80)**	(188,253)
Proceeds from second lien senior secured notes, net of loan arrangement costs	**—**	194,034
Proceeds from term loan, net of loan arrangement costs	**—**	14,945
Proceeds (repayment) from Revolving Facility (note 11)	**(8,000)**	23,000
Repayment of preferred partnership units (note 13)	**—**	(30,000)
Repayment of finance leases	**(158)**	(950)
Payments to non-controlling interests	**(315)**	(256)
Issuance of common shares, warrants and convertible debt, net of issuance costs (note 15)	**2,033**	243
Cash used in financing activities	**(36,406)**	(8,004)
Increase (decrease) in cash and cash equivalents	**237**	(594)
Cash and cash equivalents, beginning of year	**—**	594
Cash and cash equivalents, end of year	**237**	—

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

1. Significant Accounting Policies

Centric Health Corporation (collectively, "Centric Health" or "the Company" together with its subsidiaries) is 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.

Basis of preparation

These consolidated financial statements have been prepared by the Company in accordance with International Financial Reporting Standards ("IFRS") as outlined by Canadian generally accepted accounting principles ("GAAP"), as set out in Part I of the Chartered Professional Accountants of Canada Handbook ("CPA Canada Handbook").

Statement of Compliance
These annual consolidated financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board that are effective for the year ended December 31, 2014. The Company has consistently applied the same accounting policies throughout all years presented, unless otherwise noted, as if these policies had always been in effect.

These annual consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of derivative financial instruments and contingent consideration to fair value. The significant accounting policies used in the preparation of these annual consolidated financial statements are described below.

These annual consolidated financial statements were approved by the Board of Directors on March 3, 2015.

New standards, amendments and interpretations adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on or after January 1, 2014:

IFRS 10 *Consolidated Financial Statements* was amended to establish whether an entity meets the definition of an investment entity and establishes guidance on consolidation. An investment entity shall not consolidate its subsidiaries or apply IFRS 3 *Business Combinations* when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments.*

IAS 27 *Separate Financial Statements* was amended to include requirements for the preparation of separate financial statements and disclosure requirements for investment entities as defined in IFRS 10 *Consolidated Financial Statements.*

IAS 32 *Financial Instruments: Presentation* was amended to provide further guidance on the application of the established criterion to offset a financial assets with a financial liability. The adoption of the amended standards did not have a significant impact on the Company's annual consolidated financial statements. The Company has included additional note disclosures in the annual consolidated financial statements related to this standard, where applicable.

Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2014 are not significant to the Company.

1. Significant Accounting Policies - continued

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 9 *Financial instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has not assessed the full impact of IFRS 9.

IFRS 15 *Revenue from contracts with customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction contracts* and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Company has not assessed the full impact of IFRS 15.

Consolidation

These annual consolidated financial statements incorporate the assets and liabilities of Centric Health and its wholly-owned subsidiaries and the results of these subsidiaries for the years ended December 31, 2014 and December 31, 2013. The Company also consolidates the financial results of London Scoping Centre ("LSC"), Performance Medical Group ("Performance") and SmartShape Weight Loss Centres ("SmartShape"), which the Company controls with an ownership of 75% of the outstanding shares of each of these entities.

Control over a subsidiary exists when the Company is exposed to and has the rights to variable returns of the subsidiaries and has the ability to affect those returns through its power over the entity. The existence and effect of voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealized gains/losses on transactions between group companies are eliminated.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of

1. Significant Accounting Policies - continued

any liabilities resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interests in the acquiree on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

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

The Company holds ownership interests in three franchisees. Investments in franchisees are recorded on the equity basis of accounting as the Company exercises significant influence over the franchisees.

Recognition of contingent consideration

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

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

Share-based contingent consideration consisting of the Company's shares and warrants to be released from escrow or issued based on the acquired businesses achieving predetermined earnings targets is estimated at the date of acquisition taking into consideration the quoted market prices of the Company's common shares at the dates of acquisition discounted to reflect that the shares are not freely tradeable until they are released from escrow and the probability of achieving the earnings targets. Subsequent changes in fair value between reporting periods are included in the determination of net income. Changes in fair value arise as a result of changes in the Company's share price and changes in the estimated probability of the acquired entities achieving their earnings targets. Shares issued or released from escrow in the final settlement of contingent consideration are recognized in share capital at their fair value at the time of issue or release with a corresponding reduction in the contingent consideration liability. The current portion of contingent consideration is based on the Company's estimate of the value that will be payable within twelve months.

Segmented reporting

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

1. Significant Accounting Policies - continued

As a result of the strategic initiative to define the Company's long term operating model and the Company's decision to divest the majority of its Retail and Home Medical Equipment operations, the Company's CODM has amended the manner in which the business is operated and accordingly how financial information is presented to the CODM. Three separate operating segments previously reported as Physiotherapy, Assessments and the remaining component of the Retail and Home Medical Equipment will now be collectively reported as the Physiotherapy, Rehabilitation and Assessments segment. As a result of the amended reportable operating segments, the Company will present three reportable operating segments rather than five reportable operating segments as was previously presented in the annual financial statements for the year ended December 31, 2013. Operating segments, as reported to the CODM are as follows: Physiotherapy, Rehabilitation and Assessments, Specialty Pharmacy, and Surgical and Medical Centres. The comparative balances in note 20 have been amended to reflect the presentation of three reportable operating segments.

Foreign currency translation

Balances included in the annual consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional and presentation currency is the Canadian dollar. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Financial assets and financial liabilities

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

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

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

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

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

1. Significant Accounting Policies - continued

Financial liabilities at amortized cost
Financial liabilities at amortized cost include trade and other payables, bank indebtedness, finance lease liabilities, borrowings and preferred partnership units. These financial liabilities are initially recognized at fair value, net of any transaction costs incurred, and, subsequently, at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months; otherwise, they are presented as non-current liabilities.

Derivative financial instruments

The Company holds derivative financial instruments to mitigate its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. Derivatives are recognized initially at fair value; any directly attributable transaction costs are recognized in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in net income or loss.

Impairment of financial assets

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks. As at December 31, 2014 and 2013, there were no outstanding cash equivalents.

Restricted Cash

Any cash that is legally restricted from use is recorded in restricted cash. Cash and deposits are considered restricted when they are subject to contingent rights of third parties. The nature of the restrictions on restricted cash are discussed in note 2.

1. Significant Accounting Policies - continued

Trade and other receivables

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

Inventories

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

Property and equipment

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

Repairs and maintenance costs are charged to the consolidated statement of income and comprehensive income during the period in which they are incurred.

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

Office furniture, fixtures and equipment	10 years straight-line
Computer equipment	30% declining balance
Medical equipment	5 years straight-line
Physiotherapy equipment and automobiles	30% declining balance
Leasehold improvements	Term of the lease

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

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

1. Significant Accounting Policies - continued

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

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

Intangible assets

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

Licenses	Term of the license
Computer software	7 years or 30% declining balance
Contracts	Term of the contract
Customer and physician relationships	5 to 10 years
Trademarks	Up to 10 years
Non-compete arrangements	Term of the arrangement
Franchise rights	20 years

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

Goodwill
The Company assesses at least annually, or whenever an indicator of impairment exists, whether there has been an impairment loss in the carrying amount of goodwill, which is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units ("CGU"), or group of CGUs, that are expected to benefit from the business combination for the purpose of impairment testing. A group of CGUs represents the lowest level within the Company that is not higher than an operating segment at which goodwill is monitored for internal management purposes. The methodology used by the Company to test goodwill for impairment is further discussed in note 8.

Indefinite-life intangible assets
The Company has indefinite-life intangible assets in relation to its hospital license, sleep clinic license and the Community Care Access Centre ("CCAC") contract. The hospital license allows the Don Mills Surgical Unit ("DMSU") to privately operate a hospital in the province of Ontario. The CCAC refers patients for occupational therapy, dietetics and social work services. The CCAC contract has a stated term that is renewed by the CCAC. The Company considers the probability of renewal of the contract with CCAC to be high.

1. Significant Accounting Policies - continued

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment as at August 31. Other long-term tangible and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognized in the consolidated statement of income. The recoverable amount of an asset is the higher of its fair value, less costs of disposal, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows.

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

Trade and other payables

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

Borrowings

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

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

The liability component of the convertible borrowings is recognized initially at the fair value of a similar liability that does not have a conversion option. An equity component is recognized initially for the conversion feature when the conversion rights of the borrowing instrument can only be settled in shares of the Company. This conversion feature is valued at the difference between the fair value of the convertible borrowings as a whole and the fair value of the liability component. Where the conversion rights entitle either the holder or the Company to settle the convertible borrowing in cash, the Company classifies the conversion feature as a derivative liability. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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

Preferred shares
Preferred shares with mandatory redemption on a specific date are classified as liabilities. The dividends on these preferred shares are recognized in the consolidated statement of income and comprehensive income as interest expense.

1. Significant Accounting Policies - continued

Share capital and warrants

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

Income taxes

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

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

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

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

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

Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services rendered, stated net of discounts and returns. The Company recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Company, and when specific criteria have been met for each of the Company's activities, as described below.

1. Significant Accounting Policies - continued

Sale of goods
The Company operates retail outlets for selling orthotics products and prescription drugs, as well as a distribution network for prescription drugs. Sales revenue is recorded when the prescription or retail purchase has been delivered to the customer, the price is fixed or determinable, payment is received or reasonably assured to be collectible and, for pharmacy sales, when the prescription claim has been adjudicated.

Rendering of services
The Company recognizes revenue from the rendering of independent medical assessments, physiotherapy and home care services and patient services in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided. Patient services paid in advance are recorded as deferred revenue and recognized as revenue when the procedure has been performed.

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

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

Cost of healthcare services and supplies

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

Employee benefits

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

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

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

1. Significant Accounting Policies - continued

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

Restricted share units
The Company operates a restricted share unit plan, under which the Company receives services from employees as consideration for equity instruments of the Company. The plan is also open to certain directors of the Company. Restricted share units vest over three years. The fair value of services received in exchange for the grant of the restricted share units is recognized as a share-based payment expense. The total amount to be expensed is determined by reference to the fair value of the restricted share units granted.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting date, the Company revises its estimates of the number of restricted share units that are expected to vest based on the non-market vesting conditions. The fair value of restricted share units is estimated using the Company's quoted market price on the grant date.

Termination benefits
The Company recognizes a liability and an expense for termination benefits at the earlier of when the entity can no longer withdraw the offer of those benefits or when the Company recognizes costs for a restructuring that includes termination benefits. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

Earnings per share

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

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

Critical accounting estimates and judgments

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

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

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

1. Significant Accounting Policies - continued

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

Changes in fair value arise as a result of changes in the Company's share price and changes in the estimated probability of the acquired company achieving their earnings targets.

Valuation of deferred tax assets and tax provisions
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.

The Company assesses any potential tax uncertainties at each reporting period in order to assess whether any provisions are required for these uncertainties.

2. Capital Management, Liquidity Risk and Financing

The Company manages its capital structure based on the funds available to the Company in order to support the continuation and expansion of its operations. The Board of Directors establishes quantitative return on capital criteria, which it reviews with management on a regular basis. The Company defines capital to include share capital, warrants and the stock option component of its shareholders' equity as well as its Revolving Credit Facility, second lien senior secured notes, 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 securities such as convertible debt, or by replacing existing debt with debt on terms more consistent with the Company's needs.

In June 2014, the Company announced it had entered into definitive agreements to sell substantially all of its retail and home medical equipment operations for gross proceeds of $50,000 and to sell its methadone pharmacy operations for gross proceeds of $20,000. The sale of the methadone pharmacy operations closed on August 29, 2014 and the sale of the retail and home medical equipment operations closed on September 12, 2014.

Under the April 2013 trust indenture for the second lien senior secured notes, net proceeds from divestitures can be redeployed for permitted business acquisitions, capital expenditures, acquisitions of non-current assets, repayment of senior debt that is a permanent reduction of such debt, repayment of secured debt (subject to early redemption at the Company’s option), redemption of up to $35,000 of preferred partnership units, once the target ratio of total secured debt to cash flow is achieved. The trust indenture for the second lien senior secured notes also requires the Company maintain a minimum of $25,000 Revolving Facility for working capital purposes.

On August 29, 2014, the Company repaid $10,000 of its Revolving Facility resulting in a permanent reduction in the capacity of the Revolving Facility from $50,000 to $40,000. The Company intends to make a further $15,000 debt reduction through a combination of additional reduction of the Revolving Facility, redemption of second lien senior secured notes and redemption of the preferred partnership units. While the Company evaluates its debt repayment options, on September 19, 2014, the Company made a temporary repayment of an additional $15,000 against the Revolving Facility which further reduced the capacity of the Revolving Facility to $25,000. However, the capacity on the Revolving Facility can be increased to $40,000 with an equivalent return of funds to the escrow cash account for the proceeds of sale from the non-core businesses as long as the Company is not in default under the Revolving Facility. The Company's Revolving Facility matures on June 9, 2015, however, the Company plans to renegotiate this facility with its lenders.

In August 2014, as a result of the pending divestiture of certain non-core operations and subject to the completion of these divestitures, the Company received a waiver from a financial performance covenant at the September 30, 2014 measurement date and amendments to certain financial performance covenants for the remaining measurement dates up to the maturity of the Revolving Facility in June 2015. In December 2014, the Company received a waiver from a financial performance covenant at December 31, 2014 and March 31, 2015. The Company was in compliance with its financial performance covenants at December 31, 2014, except for the one financial covenant for which the Company received a waiver in December 2014.

The Company has at December 31, 2014 $36,302 of restricted cash representing the balance of net proceeds from the sale of the methadone pharmacy operations and the retail and home medical equipment business. In February 2015, the Company obtained approval to use $26,000 of this restricted cash from both the second lien senior secured notes and revolving facility lenders to fund the cash cost of the acquisition of specialty pharmacy business Pharmacare Fulfillment Center Ltd. (the "Care Plus Group") on March 2, 2015 as described in note 26.

2. Capital Management, Liquidity Risk and Financing - continued

With the completion of this accretive acquisition and the Company's 2015 projected improved budget from operations over 2014 results through organic growth, operational improvements and cost containment, the Company plans to renegotiate its existing Revolving Facility with its lenders.

The Company intends to use the remaining restricted cash to reinvest in its core businesses through accretive acquisitions or further debt reductions.

The Company anticipates it will generate sufficient cash flow in 2015 to meet its obligations as they come due through improved operating performance and completion of the accretive pharmacy acquisition described above. There can be no assurance that the Company will be successful in achieving the results as set out in its operating plan in each of the quarters in 2015.

3. Business Combinations

On May 30, 2014, the Company acquired the assets of three physiotherapy clinics for cash consideration of $260. On July 30, 2014, the Company acquired the assets of one physiotherapy clinic for cash consideration of $75. These clinics will be presented in the Physiotherapy, Rehabilitation and Assessments segment. Goodwill and intangible assets of $324 has been added to the Company's cumulative eligible capital ("CEC") pool for income tax purposes. These four physiotherapy clinics have revenues of $598 and a loss from operations of $61 for the year ended December 31, 2014 which have been included in the Company's audited financial statements from the date of acquisition to December 31, 2014.

The purchase price and fair value of the net assets acquired for the three physiotherapy acquisitions are as follows:

Purchase price	**Physiotherapy Clinics $**
Cash consideration	335
Contingent consideration	45
Total	**380**

Fair value of net assets acquired	**Physiotherapy Clinics $**
Current assets	22
Property and equipment	34
Goodwill	266
Intangibles	58
Total	**380**

The purchase price allocation for the physiotherapy clinic acquisitions are final. During the year ended December 31, 2014, the Company recorded an adjustment of $22 to goodwill for one physiotherapy clinic and identified and valued the intangible assets for all four physiotherapy clinics with an ascribed value of $58.

2013 Acquisitions
The purchase price and fair value of the net assets acquired for the Company's 2013 acquisitions are as follows:

Purchase price	**SmartShape $**	**Retail and Home Medical Store $**	**Total $**
Cash consideration	1,608	187	**1,795**
Contingent consideration	987	—	**987**
Non controlling interest	506	—	**506**
Total	**3,101**	**187**	**3,288**

3. Business Combinations - continued

Fair value of net assets acquired	SmartShape $	Retail and Home Medical Store $	Total $
Current assets	137	184	**321**
Property and equipment	50	3	**53**
Goodwill	1,078	—	**1,078**
Intangibles	2,840	—	**2,840**
Deferred tax (liabilities)	(753)	—	**(753)**
Liabilities assumed	(251)	—	**(251)**
Total	**3,101**	**187**	**3,288**

SmartShape Weight Loss Centres

On December 2, 2013, the Company acquired 75% of the shares of SmartShape, which provides state-of-the-art bariatric (weight loss) surgical procedures and is located in Mississauga, Ontario within an existing surgical facility.

The total purchase price consideration includes a combination of $1,608 in cash consideration, 1,075,000 common shares to be released based on the acquired business achieving targets over a two year period and warrants to purchase up to 600,000 common shares of the Company at the five-day average market price prior to the closing date and calculated based on the out-performance of certain targets. The warrants will have a two-year term from the date on which they vest and become exercisable.

During the year ended December 31, 2014, the Company recorded adjustments of $45 to goodwill for SmartShape in finalizing the opening working capital for this acquisition. The Company also finalized the purchase price allocation for SmartShape which resulted in a $1,581 decrease of goodwill and increase to intangible assets, deferred tax liabilities and non-controlling interest were valued at $2,840, $753 and $506 respectively.

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

The following table illustrates the impact on revenue and income from operations, as if the acquisition of SmartShape had taken place on January 1, 2013.

Year Ended December 31, 2013 (restated)	Revenue	Loss from operations
As Reported	281,148	(12,922)
SmartShape	4,446	(52)
Annualized Total	285,594	(12,974)

Other Acquisitions

On January 4, 2013, the Company acquired the assets of a retail and home medical equipment store for cash consideration of $187. The Company subsequently sold the majority of its retail and home medical equipment operations on September 12, 2014 and are included as part of discontinued operations for the year ended December 31, 2014 as disclosed in note 21.

3. Business Combinations - continued

Transaction, restructuring and other 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, and legal and consulting costs for business restructuring are expensed as incurred. Start-up costs for new initiatives are costs incurred by the Company for a new business initiative prior to this initiative generating any revenue. Restructuring costs include costs associated with closed clinic locations and other staffing reductions. Included in transaction costs for the year ended December 31, 2014 are advisory fees of $540 (2013 - $nil) related to Global Healthcare Investments and Solutions, Inc. (“GHIS”), a related party. This represents the portion of monthly fees which is associated with transaction related activities.

In connection with the November 2011 purchase of Classic Care Pharmacy Corporation ("Classic Care"), a settlement for a dispute was reached with one of the vendors (whose principal is also a current employee of the Company). As part of the settlement, the Company agreed to contingent payment terms, which may be payable depending on the Company's share price at the end of the second quarter of 2016 and can be settled in cash or shares, as specified in the terms of the settlement. As a result, the Company recorded a contingent consideration liability of $1,862 (2013 - $nil). This amount has been included as part of restructuring and other costs in the statement of income and comprehensive income.

Transaction, restructuring and other costs associated with discontinued operations are included in the computation of the (gain) loss on the sale of businesses in note 21.

Transaction, restructuring and other costs for the years ended December 31, 2014 and 2013 consist of the following:

	For the years ended December 31,	
	2014	2013
	$	$
Transaction costs	**642**	534
Start-up costs	**406**	471
Restructuring and other costs	**4,333**	2,759
	5,381	3,764

At December 31, 2014, the Company had accrued liabilities from continuing operations related to restructuring and other costs of $1,170 (2013 - $2,299) included in trade and other payables consisting of the following:

	Severance	**Closed Locations**	**Other**	**Total**
	$	**$**	**$**	**$**
Balance at December 31, 2013	975	1,276	48	**2,299**
Amount related to discontinued operations	(325)	(85)	—	**(410)**
Additions	1,009	99	1,351	**2,459**
Payments	(947)	(646)	(1,399)	**(2,992)**
Reversals	—	(186)	—	**(186)**
Balance at December 31, 2014	**712**	**458**	**—**	**1,170**

4. 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[3] $	Issuable common shares [3]	Issuable outperformance warrants[3]	Range of value of contingent consideration $	Probability to achieve contingent consideration cash and common shares	Contingent consideration liability at December 31, 2014 $
SmartShape	Dec. 2, 2013	2 years	1,763	1,075,000	600,000	0 - 1,897	100%	**1,882**
Classic Care	Nov. 17, 2011	—	—	—	—	—	—	**1,862**
Other	Various	3 years	600	2,067,147	1,143,007	0 – 415	0% - 100%	**401**
Total			**2,363**	**3,142,147**	**1,743,007**	**0 – 2,312**	**0% - 100%**	**4,145**

[3] The contingent cash, issuable common shares and outperformance warrants are only issued to the vendors of the transaction to the extent that the acquired business outperforms their warranted performance targets as established in the respective transaction agreements. The number of issuable common shares, issuable outperformance warrants and contingent cash consideration represent the maximum amount issuable at inception in the respective transaction agreements.

The maximum possible contingent consideration is an estimate. The maximum possible contingent consideration has been valued at $2,312 based on the share price of the Company's common shares on December 31, 2014 ($0.38 per share) less a discount to reflect that the shares are not freely tradeable and the present value of the contingent cash consideration.

During the year, the Company increased the probability of SmartShape achieving their contingent consideration from 80% to 100% based on actual and projected targets.

During the year, the Company issued 136,425 common shares from treasury and released 195,832 common shares from escrow to the vendors of physiotherapy clinics as consideration for the earn-out agreements for these acquisitions.

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

	SmartShape $	Classic Care $	Other $	Total $
Balance at December 31, 2013:	1,006	—	618	**1,624**
Fair value at date of acquisition	—	—	45	**45**
Additions	—	1,862	—	**1,862**
Change in fair value during the period	876	—	(68)	**808**
Contingent consideration settled in shares	—	—	(129)	**(129)**
Contingent consideration settled in cash	—	—	(65)	**(65)**
Total contingent consideration	**1,882**	**1,862**	**401**	**4,145**
Less: current portion	**1,882**	**—**	**207**	**2,089**
Non-current portion at December 31, 2014	**—**	**1,862**	**194**	**2,056**

The above table includes contingent consideration payable in cash, subject to achieving performance milestones, in the amount of $45 (2013 - $nil) all of which may be payable within one year. In addition, the above table includes accrued liabilities of $1,658 (2013 - $1,047) for contingent payment terms which may be payable depending on the Company's share price as specified in certain purchase and sale agreements, as well as an accrual of $1,862 (2013 - $nil) related to a settlement associated with such contingent payment terms (note 3).

5. Trade and Other Receivables

Trade and other receivables at December 31, 2014 and December 31, 2013 are comprised of the following:

	December 31, 2014	December 31, 2013
	$	$
Trade receivables	**34,719**	58,531
Income tax receivable	**324**	—
	35,043	58,531

6. Inventories

The Company's inventory balances as at December 31, 2014 and December 31, 2013 consisted of the following:

	December 31, 2014	December 31, 2013
	$	$
Retail and home medical equipment	**—**	18,529
Medical supplies and pharmaceutical products	**5,175**	5,424
	5,175	23,953

Inventories are pledged as security as part of the Company's lending agreements as outlined in note 11. The Company's retail and home medical equipment inventory was sold as part of the sale of the Company's retail and home medical equipment operations in September 2014.

Inventories that were expensed during the current year were $91,557 (2013 - $111,632).

Provisions for the impairment of inventory for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
	$	$
Balance, beginning of year	**1,220**	704
Amounts transferred to discontinued operations	**(1,220)**	—
Additions	**—**	516
Balance, end of year	**—**	1,220

There were no reversals of inventory provisions for the years ended December 31, 2014 and 2013.

7. Property and Equipment

	Office furniture, fixtures and equipment $	Computer equipment $	Medical and physiotherapy equipment $	Leasehold improvements $	Total $
Year ended December 31, 2013					
Cost					
Balance at December 31, 2012	7,118	4,963	11,277	15,102	38,460
Additions	1,144	1,739	2,372	3,518	8,773
Finance leases	40	—	—	—	40
Disposals	(3)	—	—	—	(3)
Balance at December 31, 2013	8,299	6,702	13,649	18,620	47,270
Accumulated amortization and impairment losses					
Balance at December 31, 2012	(3,500)	(2,074)	(3,437)	(4,447)	(13,458)
Amortization charge	(1,153)	(1,117)	(2,453)	(2,754)	(7,477)
Balance at December 31, 2013	(4,653)	(3,191)	(5,890)	(7,201)	(20,935)
Year ended December 31, 2014					
Cost					
Balance at December 31, 2013	8,299	6,702	13,649	18,620	47,270
Additions	820	1,152	1,763	3,188	6,923
Finance leases	—	—	161	—	161
Disposals	(16)	—	(52)	—	(68)
Disposals from sale of business	(3,418)	(2,768)	(4,694)	(6,612)	(17,492)
Balance at December 31, 2014	**5,685**	**5,086**	**10,827**	**15,196**	**36,794**
Accumulated amortization and impairment losses					
Balance at December 31, 2013	(4,653)	(3,191)	(5,890)	(7,201)	(20,935)
Amortization charge	(489)	(904)	(1,876)	(1,597)	(4,866)
Disposals	1	—	25	—	26
Disposals from sale of business	2,230	1,907	2,140	3,105	9,382
Amortization of disposal group	(153)	(138)	(427)	(333)	(1,051)
Impairment of disposal group	—	—	—	(329)	(329)
Balance at December 31, 2014	**(3,064)**	**(2,326)**	**(6,028)**	**(6,355)**	**(17,773)**
Net carrying value					
As at December 31, 2013	3,646	3,511	7,759	11,419	26,335
As at December 31, 2014	**2,621**	**2,760**	**4,799**	**8,841**	**19,021**

Included in the net carrying value of medical and physiotherapy equipment are assets under finance leases of $262 (2013 - $371).

8. Goodwill and Intangibles

	Goodwill $	Licenses $	Contracts $	Non-compete contracts $	Computer software $	Franchise rights $	Customer & physician relationships $	Trademark $	Total $
Year ended December 31, 2013									
Cost									
Balance at December 31, 2012	284,033	9,156	14,664	2,455	8,407	6,860	95,805	53,325	474,705
Additions	2,614	—	—	—	1,258	—	—	—	3,872
Purchase price allocation adjustment	(457)	—	—	—	—	—	356	—	(101)
Balance at December 31, 2013	286,190	9,156	14,664	2,455	9,665	6,860	96,161	53,325	478,476
Accumulated amortization and impairment losses									
Balance at December 31, 2012	(70,688)	(1,351)	(1,654)	(969)	(3,949)	(529)	(26,678)	(15,167)	(120,985)
Amortization charge	—	(713)	(94)	(534)	(1,335)	(344)	(18,984)	(5,103)	(27,107)
Impairment	(44,500)	—	(12,625)	—	—	—	—	(2,382)	(59,507)
Balance at December 31, 2013	(115,188)	(2,064)	(14,373)	(1,503)	(5,284)	(873)	(45,662)	(22,652)	(207,599)
Year ended December 31, 2014									
Cost									
Balance at December 31, 2013	286,190	9,156	14,664	2,455	9,665	6,860	96,161	53,325	478,476
Additions	266	—	—	—	853	—	58	—	1,177
Disposals from sale of business	(5,653)	(5,080)	(291)	(787)	(1,011)	(5,815)	(5,429)	(7,409)	(31,475)
Purchase price allocation adjustment	(1,536)	—	40	250	—	—	100	2,450	1,304
Balance at December 31, 2014	**279,267**	**4,076**	**14,413**	**1,918**	**9,507**	**1,045**	**90,890**	**48,366**	**449,482**
Accumulated amortization and impairment losses									
Balance at December 31, 2013	(115,188)	(2,064)	(14,373)	(1,503)	(5,284)	(873)	(45,662)	(22,652)	(207,599)
Amortization charge	—	—	(40)	(69)	(677)	—	(16,869)	(3,396)	(21,051)
Amortization of disposal group	—	(356)	—	(150)	(148)	(172)	(1,035)	(882)	(2,743)
Impairment on disposal group	(20,465)	—	—	—	(1,123)	—	—	—	(21,588)
Balance at December 31, 2014	**(135,653)**	**(2,420)**	**(14,413)**	**(1,722)**	**(7,232)**	**(1,045)**	**(63,566)**	**(26,930)**	**(252,981)**
Net carrying value									
As at December 31, 2013	171,002	7,092	291	952	4,381	5,987	50,499	30,673	270,877
As at December 31, 2014	**143,614**	**1,656**	**—**	**196**	**2,275**	**—**	**27,324**	**21,436**	**196,501**

The Company has $1,656 of indefinite life intangible assets at December 31, 2014 (2013 - $1,947).

8. Goodwill and Intangibles - continued

The Company completed its annual impairment testing of goodwill and indefinite life intangible assets as of August 31, 2014. The Company measured its recoverable amount based on the fair value of each CGU less its cost of disposal. The Company used a capitalized cash flow approach for substantially all CGUs which involves capitalizing the estimated future maintainable discretionary after-tax cash flows from operations using a rate of return, which serves as a measure of the rate of return required by a prospective purchaser of the business reflecting, among other factors, the risk inherent in achieving the determined level of maintainable cash flow. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates. The maintainable discretionary after-tax cash flows from operations are based on historical results, the Company's projected results to December 31, 2014 and the Company's 2015 operating budget. The Company allocated indefinite life intangible assets of $1,026 to the Surgical - Eastern Canada CGU and $630 to the Pharmacy CGU.

In 2014, the Company identified six CGUs as part of its goodwill impairment testing. In 2013, the Company identified eight CGUs. The Physiotherapy - SeniorsWellness and Retail and Home Medical Equipment CGUs which were identified for the purposes of the 2013 annual impairment testing are no longer required as a result of the disposition of these CGUs in 2014. All other CGUs remain the same between the 2013 and 2014 annual impairment testing.

The Company projected normalized revenue, operating margins, and cash flows and applied a perpetual long-term growth rate. In arriving at its forecasts, the Company considered past experience, economic trends and inflation as well as industry and market trends.

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

The tax rates applied to the cash flow projections were based on the statutory tax rate of the Company of approximately 26.5%. Tax assumptions are sensitive to changes in tax laws as well as assumptions about the jurisdictions in which profits are earned. It is possible that actual tax rates could differ from those assumed.

The recoverable amount of the Company's CGUs are considered to be level 3 fair value calculations as described in note 14. The assumptions used by the Company in its goodwill impairment testing are as follows:

CGU	Goodwill as at August 31 $	Terminal Growth Rate	Discount Rate
Physiotherapy – Clinics	67,445	3.0%	9.0%
Assessments	32,457	3.0%	9.0%
Orthotics	1,048	3.0%	9.5%
Pharmacy	30,802	3.0%	9.5%
Surgical - Western Canada	11,262	3.0%	9.5%
Surgical - Eastern Canada	600	3.0%	10.5%
	143,614	**3.0%**	**9.2%**

8. Goodwill and Intangibles - continued

At August 31, 2014, the fair value for each CGU were in excess of their carrying value. The Company has assessed whether a reasonable change in assumptions would cause the recoverable amount for any of its CGUs for which no impairment charge was recorded to be less than its carrying value. The Company has defined a reasonable change in assumptions to be a 1% increase in the discount rate. The Company has found that a 1% increase in the discount rate would not result in the recoverable amount for any of these CGUs to become less than their carrying value.

The Company has completed a reconciliation of the calculated fair value of its equity based on the recoverable amounts determined for each CGU to its market capitalization as at September 30, 2014. Based on this reconciliation, the Company believes that the differential between the calculated fair value of its equity and its market capitalization is within an acceptable range.

For the year ended December 31, 2013, the Company identified impairments for the Physiotherapy - Seniors Wellness CGU of $15,000, the Retail and Home Medical CGU of $10,000 and the Surgical - Eastern Canada CGU of $1,000 as a result of the carrying value of these CGUs being in excess of their fair value. The impairment of the Retail and Home Medical CGU was mainly a result of higher than anticipated working capital levels which impacted on the overall fair value of the CGU in addition to financial performance which has been lower than anticipated. The impairment of the Surgical - Eastern Canada CGU was a result of lower than anticipated financial performance due to the restructuring of this business.

During the year ended December 31, 2013, the Company identified an indicator of impairment with regards to its OHIP billing privileges and trademark related to the Company's Physiotherapy - Senior's Wellness CGU. Effective August 22, 2013, the OHIP billing privileges ceased as a result of an industry-wide change in the delivery of physiotherapy for seniors in the province of Ontario. These billing privileges previously had an indefinite useful life. As a result, the Company recorded non-cash impairments of $12,625 related to these licenses, $2,382 related to the trademarks associated with the delivery of these services, and $15,000 of goodwill in the year ended December 31, 2013. This goodwill impairment charge was valued as part of the Company's annual impairment test of goodwill and indefinite life intangible assets.

The Company did not reverse any impairment losses for definite life intangible assets for the years ended December 31, 2014 and 2013.

9. Loans Receivable

The Company's loans receivable balances as at December 31, 2014 and December 31, 2013 consisted of the following:

	December 31, 2014	December 31, 2013
	$	$
Loan receivable from the sale of CAR and Active	**14,500**	—
Unaccreted discount on loan receivable from the sale of CAR and Active	**(3,016)**	—
Loans receivable from franchisees	**—**	184
Total loans receivable	**11,484**	184
Less: current portion of loans receivable	**11,484**	—
Total non-current loans receivable	**—**	184

On May 8, 2014, the Company completed agreements to sell 100% of the common shares of Community Advantage Rehabilitation ("CAR") and 100% of the common shares of Active Health Services ("Active"). The purchase prices of $2,500 and $12,000 respectively were satisfied through the issuance of eight-year notes bearing interest at 7% per annum, payable monthly. The notes require only interest payments over their term. The Active note includes a right to demand in favour of the Company, which requires repayment by the borrower at any time with 60 days written notice. Repayment can be made either in cash or by a return of shares. Upon closing, the Company entered into a transitional services agreement with the buyer to provide certain administrative services for a six month term, with services continuing on a month to month basis until terminated. The interest rate on the notes increases to 9.8% for CAR and 9.5% for Active upon termination of the transitional services agreement. Subsequent to December 31, 2014, the Company announced the reacquisition of 100% of the shares of CAR and Active. Refer to note 26 for details of the transactions.

Loans receivable from franchisees for the period ended December 31, 2013 in the amount of $184 are related to the MediChair Ltd. franchise operations. These loans receivable balances were included as part of the sale of the Company's retail and home medical equipment operations in September 2014.

10. Trade Payables and Other Amounts

Trade payables and other amounts at December 31, 2014 and December 31, 2013 are comprised of the following:

	December 31, 2014	December 31, 2013
	$	$
Trade payables	**21,478**	37,167
Accrued liabilities	**18,074**	17,735
Deferred revenue	**1,084**	1,170
Amounts payable to related parties (note 16)	**180**	4,228
Restructuring costs (note 3)	**1,170**	2,299
Income taxes payable	**—**	1,232
	41,986	63,831

11. Borrowings

Borrowings consist of the following:

	December 31, 2014	December 31, 2013
	$	$
Second lien senior secured notes	**200,000**	200,000
Loan arrangement costs	**(3,979)**	(5,153)
Revolving Facility	**15,000**	23,000
Convertible debt	**53,308**	53,388
Unaccreted discount on convertible debt	**(12,139)**	(16,490)
Fair value of redemption features[4]	**(220)**	—
Related party convertible loan (note 16)	**5,000**	5,000
Unaccreted discount on related party convertible loan	**(1,812)**	(2,174)
Total borrowings	**255,158**	257,571
Less: current portion of borrowings	**15,000**	—
Total non-current borrowings	**240,158**	257,571

[4] Fair value of redemption features are embedded derivatives in the private placement and second lien senior secured notes which are netted against the debt amount for presentation purposes.

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. There are no principal repayments required for the second lien senior secured notes prior to maturity. The second lien senior notes contain certain redemption features which are at the option of the Company commencing on April 18, 2016. These redemption features are considered embedded derivatives that have been valued at $nil at December 31, 2014 (2013 - $nil). 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.

On August 29, 2014, the Company repaid $10,000 of its Revolving Facility resulting in a permanent reduction in the capacity of the Revolving Facility from $50,000 to $40,000. The Company intends to make a further $15,000 in debt reductions through a combination of additional reduction of the Revolving Facility, redemption of second lien senior secured notes and redemption of the preferred partnership units. On September 19, 2014, while the Company evaluates its debt repayment options, the Company made a temporary repayment of $15,000 against the Revolving Facility, which further reduced the capacity of the Revolving Facility to $25,000. However, the capacity on the Revolving Facility can be increased back to $40,000 with an equivalent return of funds to the escrow cash account as long as the Company is not in default under the Revolving Facility. The Company only intends to return funds to the escrow account for the purpose of making the further $15,000 in debt repayments outlined above.

The 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 not borrowed. This Revolving Facility includes quarterly financial performance measurement covenants. In the first quarter of 2014, the Company and its senior lenders amended the Revolving Facility, which included amendments to certain financial performance covenants for 2014 and beyond. In the third quarter of 2014, the Company received a waiver from a financial performance covenant at the September 30, 2014 measurement date and amendments to certain financial performance covenants for the remaining measurement dates up to the date of maturity. In the fourth quarter of 2014, the lenders of the credit facility amended the credit agreement to extend the deadline to repay $15,000 of indebtedness under the credit facility from December 11, 2014 to April 30, 2015. The Company also received a waiver for a financial performance covenant for the reporting periods as of December 31, 2014 and March 31, 2015.

11. Borrowings - continued

The Company was in compliance with its financial performance covenants at December 31, 2014, except for the one financial covenant for which the Company received a waiver in December 2014. The current facility matures on June 9, 2015, which the Company intends to extend for at least 12 months.

As at December 31, 2014, the Company had borrowed $15,000 from the Revolving Facility.

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 as at December 31, 2014 and excluding related party convertible debt, consists of the following, of which the interest and principal can be settled in common shares at the option of the Company:

Debt instrument	Principal ($)	Maturity	Interest Rate
Directed share program	10,808	December 22, 2016	6.00%
Private placement	15,000	April 30, 2016	5.50%
Public debt	27,500	October 31, 2017	6.75%
	53,308		

On September 14, 2012, the Company completed a public offering of $25,000 subordinated, unsecured convertible notes. An additional $2,500 funds from over-allotments were received on October 3, 2012. The notes bear interest at 6.75% per annum, payable semi-annually and mature on October 31, 2017. Each note is convertible into common shares of the Company at the option of the holder at a strike price of $1.12 per share. The Company can also elect to settle the interest and principal amounts in common shares or cash on redemption which may occur no earlier than October 31, 2015. The convertible notes are subordinated to the Company's senior debt with its lenders and to the preferred partnership units.

The components of the offering that have been valued in the consolidated financial statements are the debt and convertible liability portion of the convertible borrowings. The debt has been fair valued based on current market interest rates. The derivative liability portion of convertible borrowings has been fair valued based on a modified Black Scholes valuation model.

Dividend yield	Nil
Expected volatility	56% - 80%
Risk-free interest rate	1.63% - 1.71%
Expected life in years	5
Share price at date of issue	$0.68 - $0.75
Credit Spread	14.52% - 17.18%

The Company has ascribed the following values to the components of the offering instrument:

Derivative liability portion of convertible borrowings	$9,372
Debt	18,128
Total	$27,500

11. Borrowings - continued

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

	Years ended December 31,	
	2014	2013
	$	$
Unaccreted discount on convertible borrowings, beginning of period	**16,490**	20,011
Accretion expense (note 17)	**(4,351)**	(3,521)
Unaccreted discount on convertible borrowings, end of period	**12,139**	16,490

The continuity of the redemption features are as follows:

	Years ended December 31,	
	2014	2013
	$	$
Redemption feature, beginning of period	**—**	(1,540)
Change in fair value of redemption features	**(220)**	1,540
Redemption features, end of period	**(220)**	—

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 subsequent changes in the fair value of these swaps have been included as part of the consolidated statement of income and comprehensive. The accumulated other income balance related to these interest rate swaps has been amortized to the consolidated statement of income and comprehensive income over the remaining life of the interest rate swaps. The interest rate swap for $13,924 matures in June 2015 and had not been designated as an effective hedge. On April 18, 2013, the Company settled the interest rate swaps with face values of $75,000 and $13,924 for $966. At December 31, 2014, the fixed interest rate on the Company's remaining $25,000 interest rate swap was approximately 1.62% and the floating interest rate was based on the three month Canadian Dealer Offered Rate. The mark-to-market gain for the year ended December 31, 2014 on interest rate swaps was $80 (2013 - loss of $263). At December 31, 2014, the Company recorded a liability of $40 (2013 - $120) for this derivative financial instrument.

The continuity of the derivative financial instruments is as follows:

	Years ended December 31,	
	2014	2013
	$	$
Derivative financial instruments, beginning of period	**120**	823
Change in fair value of interest rate swaps	**(80)**	263
Settlement of interest rate swaps	**—**	(966)
Derivative financial instruments, end of year	**40**	120

11. Borrowings - continued

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

	Years ended December 31,	
	2014	2013
	$	$
Derivative liability portion of convertible borrowings, beginning of year	**1,720**	8,409
Change in fair value of derivative liability portion of convertible borrowings	**626**	(6,689)
Derivative liability portion of convertible borrowings, end of year	**2,346**	1,720

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 December 31, 2014 are as follows:

	Directed share program	**Public debt**	**Private placement redemption feature**
Expected volatility	51.66%	51.66%	51.66%
Risk-free interest rate	1.44%	1.54%	1.47%
Credit spread	57.05%	57.05%	57.05%

The change in fair value of derivative financial instruments for the years ended December 31, 2014 and 2013 are as follows:

	For the years ended December 31,	
	2014	2013
	$	$
Change in fair value of interest rate swaps	**(80)**	263
Change in fair value of redemption feature	**(220)**	1,540
Change in fair value of derivative liability portion of convertible borrowings	**626**	(6,689)
	326	(4,886)

12. Finance Leases

The leases have an interest rate implicit in the lease ranging from 2% to 10% and resulted in the present value of lease liabilities as follows:

	December 31, 2014	December 31, 2013
	$	$
No later than 1 year	**129**	127
Later than 1 year but no later than 5 years	**149**	149
Minimum lease payments	**278**	276

Interest payments on outstanding lease liabilities are as follows:

	December 31, 2014	December 31, 2013
	$	$
No later than 1 year	**14**	7
Later than 1 year but no later than 5 years	**12**	4
Interest payments	**26**	11

The future minimum lease payments for finance leases are as follows:

	December 31, 2014	December 31, 2013
	$	$
No later than 1 year	**115**	120
Later than 1 year but no later than 5 years	**137**	145
Present value of finance lease liabilities	**252**	265

During the year cash repayments of finances leases amounted to $158 (2013 - $950).

13. Preferred Partnership Units

The balance of $36,102 (2013 - $35,500) represents preferred partnership units issued by LifeMark Health Limited Partnership to Alaris Income Growth Fund Partnership ("Alaris"). There were $65,500 of units that were assumed on the acquisition of LifeMark on June 9, 2011. On April 18, 2013, the Company repaid $22,500 of the preferred partnership units and on June 9, 2013 repaid $7,500 of the preferred partnership units. The principal balance grows at 4% annually from the third anniversary of June 9, 2014. The Company is not required to redeem the preferred partnership units until 2084. Alaris is entitled to annual distributions of $4,115 for the annual period commencing July 1, 2014 with annual increases of 4% at the end of each year thereafter. The Company intends on redeeming the preferred partnership units by June 9, 2017 and has presented this amount as a long-term liability. The Company is accreting to interest expense the amount expected to be payable on June 9, 2017 of $39,933.

14. Financial Instruments and Fair Value Measurements

At December 31, 2014, the Company's financial instruments consisted of cash and cash equivalents, restricted cash, trade and other receivables, loans receivable, trade and other payables, contingent consideration, bank indebtedness, finance lease liabilities, borrowings, preferred partnership units, derivative liabilities 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 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 and derivative liabilities associated with convertible loans.

Recurring fair value measurements at December 31, 2014 are as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Contingent consideration	—	—	4,145	**4,145**
Interest rate swap	—	40	—	**40**
Derivative liabilities associated with convertible loans	—	—	2,346	**2,346**
Loan redemption features	—	—	(220)	**(220)**
	—	**40**	**6,271**	**6,311**

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

	Level 1 $	Level 2 $	Level 3 $	Total $
Contingent consideration	—	—	1,624	**1,624**
Interest rate swap	—	120	—	**120**
Derivative liabilities associated with convertible loans	—	—	1,720	**1,720**
	—	**120**	**3,344**	**3,464**

There were no non-recurring fair value measurements at December 31, 2014. There were no transfers between levels 1 and 2 during the year ended December 31, 2014.

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 4 and for the derivative financial instruments related to derivative liability component of convertible debt in note 11.

There were no changes in the valuation techniques used during the year ended December 31, 2014.

14. Financial Instruments and Fair Value Measurements - continued

The carrying value of financial assets and financial liabilities from continuing operations that are measured at amortized cost is an approximation of the fair value for the following financial assets and financial liabilities unless otherwise disclosed below:

	December 31, 2014	December 31, 2013
	$	$
Financial assets measured at amortized cost		
Cash and cash equivalents	**237**	—
Restricted cash	**36,302**	—
Trade and other receivables	**35,043**	58,531
Loans receivable	**11,484**	184
Financial liabilities measured at amortized cost		
Bank indebtedness	**—**	2,625
Trade payables and other amounts	**41,986**	62,599
Finance lease liability	**252**	265
Convertible borrowings	**41,169**	36,898
Revolving facility	**15,000**	23,000
Preferred partnership units	**36,102**	35,500

The fair value of the second lien senior secured notes at December 31, 2014 is $171,000 (2013 - $188,126) and has a carrying value of $196,021 (2013 - $194,847). The fair value of the second lien senior secured notes was determined by using a discounted cash flow method with a risk-adjusted discount rate (risk free rate of 1.59% and credit spread of 12.81%).

The fair value of the convertible borrowings, excluding Jamon, a related party, at December 31, 2014 is $26,539 (2013 - $28,284) and has a carrying value of $41,169 (2013 - $36,898). The fair value of the convertible borrowings was determined by using a discounted cash flow method with a risk-adjusted discount rate (risk free rate of 1.54% and credit spread of 57.05%).

The fair value of the convertible borrowings owed to Jamon, a related party, as at December 31, 2014 is estimated to be its current redemption value of $5,000 and has a carrying value of $3,188 (2013 - $2,826).

The fair value of the preferred partnership units at December 31, 2014 is estimated to be their current redemption value of $36,920 and has a carrying value of $36,102 (2013 - $35,500).

Credit Risk
The Company is exposed to credit risk to the extent that its clients become unable to meet their payment obligations. The Company's exposure to concentrations of credit risk is limited. Trade receivables include amounts receivable from the sale of goods and services to the Workplace Safety and Insurance Board and other government agencies, employers, insurance companies and individual patients.

14. Financial Instruments and Fair Value Measurements - continued

Trade and other receivables aging was as follows:

	December 31, 2014	December 31, 2013
	$	$
0 - 30 days	**27,311**	35,726
31-60 days	**4,639**	9,901
61-90 days	**1,532**	5,606
Over 90 days	**1,561**	7,298
	35,043	58,531

Included in trade and other receivables at December 31, 2014 are $5,562 (2013 - $19,819) of amounts receivable from government funding related to product sales and services rendered.

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

	December 31, 2014	December 31, 2013
	$	$
Provision, beginning of year	**4,373**	3,949
Amounts transferred to discontinued operations	**(3,938)**	—
Provision for receivables impairment	**94**	424
Receivables written off and unused amounts reversed	**(137)**	—
Provision, end of year	**392**	4,373

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

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The following table presents the contractual terms to maturity of the financial liabilities owned by the Company as at December 31, 2014:

	Total	1 year	2-3 years	4-5 years	Thereafter
	$	$	$	$	$
Trade payables and other amounts	**41,986**	41,986	—	—	—
Second lien senior secured notes	**200,000**	—	200,000	—	—
Revolving Facility	**15,000**	15,000	—	—	—
Finance leases	**252**	115	137	—	—
Interest payments on borrowings	**65,438**	20,880	39,427	5,131	—
Operating leases	**47,421**	9,964	16,273	11,037	10,147
	370,097	87,945	255,837	16,168	10,147
Preferred partnership units	**36,102**	—	—	—	36,102
	406,199	87,945	255,837	16,168	46,249

14. Financial Instruments and Fair Value Measurements - continued

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

The Company holds an interest rate swap that is tied to market conditions and, as such, interest to be paid from the interest rate swap cannot be reasonably determined.

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.

Interest Rate Risk
Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company is exposed to interest rate risk through its floating rate Revolving Facility, whose interest rates are based on prime.

As at December 31, 2014, a 1% change in the variable interest rates on the average balances for the year would have resulted in an annualized change in interest expense of approximately $190 (2013 - $287).

Currency Risk
Virtually all of the Company's transactions are denominated in Canadian dollars. At December 31, 2014 and 2013, the Company held no significant financial instruments that were denominated in other than Canadian currency.

15. 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:

Years ended December 31, ($ thousands, except share amounts)	**2014**		2013	
Common shares	**Shares**	**Stated value $**	Shares	Stated value $
Balance, beginning of year	**133,363,294**	**99,081**	121,389,445	92,201
Issuance of shares as compensation	**200,000**	**291**	200,000	289
Shares released from escrow or issued from treasury for contingent consideration[5]	**336,904**	**129**	3,856,814	2,033
Shares released from escrow for compensation[6]	**—**	**—**	1,500,000	915
Shares issued to GHIS for the exercise of warrants (note 16)	**18,650,000**	**5,036**	—	—
Shares issued to GHIS for an amended consulting agreement	**—**	**—**	4,802,311	2,785
Stock options and restricted share units exercised	**838,788**	**284**	1,614,724	858
Balance, end of period	**153,388,986**	**104,821**	133,363,294	99,081

[5]Consists of 136,425 common shares issued from treasury and 195,832 common shares released from escrow for the settlement of earnouts for two physiotherapy clinics for the year ended December 31, 2014 and 2,973,611 common shares released from escrow and 883,203 common shares issued from treasury for various earnouts for the year ended December 31, 2013.
[6]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 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. Common shares and warrants issued or released during the year ended December 31, 2014 related to contingent consideration on acquisitions are disclosed in note 4.

The total common shares in aggregate at December 31, 2014 are:

Type of common shares	
Freely tradeable	153,388,986
Escrowed and restricted	2,113,916
Total	**155,502,902**

Common shares related to contingent consideration held in escrow, as discussed in note 4, and restricted shares at December 31, 2014 are as follows:

Entity	**Escrowed and restricted shares**
London Scoping Centre	176,632
SmartShape	1,075,000
Other	262,284
Restricted compensation shares	600,000
Total	**2,113,916**

15. Shareholders' Equity and Earnings per Share - continued

The continuity of restricted and escrowed shares for the year ended December 31, 2014 is as follows:

Escrowed and restricted shares	
Balance at beginning of the year	19,632,470
Canceled escrowed shares	(17,122,721)
Released restricted shares	(395,833)
Total	**2,113,916**

The Company cancels escrowed shares related to contingent consideration on acquisitions as certain earn-out targets specified in the purchase agreements are not met. On May 16, 2014, the Company canceled 1,500,000 escrowed shares associated with the acquisition of Performance Medical Group ("Performance"). On December 31, 2014, the Company canceled 6,618,080 escrowed shares associated with the acquisition of Blue Water Diagnostics Ltd. ("BWG"), including the acquisition of LSC, and 9,004,641 escrowed shares associated with the acquisition of its Motion Specialties ("Motion") operations.

The earn-out periods for Performance ended on November 30, 2013 and 2012. Performance did not achieve their specified performance targets during the two year earn-out period, and as such, no escrowed shares were released to the vendors of Performance.

The earn-out periods for BWG ended on August 31, 2012, 2013 and 2014. The BWG operations did not achieve their specified performance targets during the three year earn-out period, and as such, no escrowed shares were released to the vendors of BWG.

During the first year earn-out period ended August 31, 2012, LSC achieved approximately 95% of its performance targets resulting in 106,670 escrowed shares to be released to the vendors. On March 15, 2013, the Company released 34,134 common shares to the vendors of LSC as partial consideration for the first year of the earn-out agreement for this acquisition. During the second and third year earn-out periods for LSC ended on August 31, 2013 and August 31, 2014, LSC achieved approximately 13% and 22% of its performance targets, respectively. This resulted in an additional 104,096 escrowed shares to be released to the vendors. As of December 31, 2014, 176,632 shares remain in escrow and will be released to the vendors in subsequent periods.

The earn-out periods for Motion ended on December 31, 2012, 2013 and 2014. The Motion operations did not achieve their specified performance targets during the three year earn-out period, and as such, no escrowed shares were released to the vendors of Motion.

As 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 with a fair value of $915.

Issuance of common shares and warrants
On September 3, 2012, the Company issued 1,000,000 common shares to the CEO of the Company. These shares are held by the Company and released to the CEO over a four year period whereby 200,000 shares will be released on both January 1, 2013 and January 1, 2014 and 300,000 shares will be released on January 1, 2015 and January 1, 2016. Effective January 1, 2013, 200,000 of these restricted shares became freely tradeable and on January 1, 2014 the Company released an additional 200,000 shares which became freely tradeable. These shares are being treated as share based compensation for accounting purposes. Effective January 1, 2015 an additional 300,000 of these shares became freely tradeable.

15. Shareholders' Equity and Earnings per Share - continued

On May 8, 2012, the Company completed a private placement of $15,000 of subordinated, unsecured convertible notes. The notes bear interest at 5.50% per annum, payable semi-annually and mature on April 30, 2016. Each note is convertible into common shares of the Company at the option of the holder at a strike price of $0.93 per share. In addition, for every $1 note purchased, the Company issued to its holder 270 share purchase warrants at a strike price of $0.93 per share that expire on April 29, 2016, which resulted in 4,050,000 warrants being issued. The convertible notes are subordinated to the Company's senior debt and to the preferred partnership units.

The components of the offering that have been valued in the consolidated financial statements are the debt, warrants and equity portion of convertible borrowings. The debt has been fair valued based on current market interest rates. The warrants have been valued using the Black-Scholes pricing model and the equity portion of the convertible borrowings have been valued using a modified Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	55%
Risk-free interest rate	1.85%
Expected life in years	4
Share price at date of issue	$1.07
Credit Spread	15.67%

The Company has ascribed the following values to the components of the offering instrument:

Warrants	$1,325
Equity portion of convertible borrowings	7,209
Debt	6,466
Total	$15,000

Issuance of stock options, warrants, deferred stock-based compensation
On November 7, 2013, the Company issued 770,000 stock options to management and employees. Of the stock option issued, 270,000 were issued at a strike price of $0.39, 250,000 were issued at a strike price of $1.55 and 250,000 were issued at a strike price of $0.48. The respective fair value of the options are $0.20 per option, $0.08 per option and $0.18 per option using the Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	66% to 78%
Risk-free interest rate	1.42%
Expected life in years	3.8
Share price at date of issue	$0.39
Forfeiture rate	10%

15. Shareholders' Equity and Earnings per Share - continued

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

Years ended December 31,	**2014**		2013	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of period	**8,806,000**	**$1.37**	11,224,500	$1.29
Options granted	**—**	**—**	770,000	0.80
Options exercised	**—**	**—**	(700,000)	0.35
Options expired	**(925,000)**	**0.93**	(275,000)	0.77
Options canceled /forfeited	**(1,010,000)**	**1.17**	(2,213,500)	1.19
Balance, end of period	**6,871,000**	**$1.45**	8,806,000	$1.37
Exercisable, end of period	**4,619,500**	**$1.52**	4,439,250	$1.37

The weighted-average remaining contractual life and weighted‑average exercise price of options outstanding as at December 31, 2014 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**
$0.39 - $0.50	520,000	0.43	3.9	130,000	0.43
$0.51 - $1.00	1,795,000	0.86	1.7	1,197,500	0.83
$1.01 - $1.50	—	—	—	—	—
$1.51 - $1.88	4,556,000	1.80	1.8	3,292,000	1.81
	6,871,000	**1.45**	**1.9**	**4,619,500**	**1.52**

On August 8, 2014 the Company issued 80,000 restricted share units to management and employees which entitles the holders to 80,000 common shares of the Company. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.41 per share and vest over three years.

On June 25, 2014, the Company issued 1,436,513 restricted share units to management and employees which entitles the holders to 1,436,513 common shares of the Company. Of the restricted share units issued, 125,000 vest immediately, the remainder vest over three years. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.41 per share. Of the restricted share units issued, 348,837 can be settled in cash or common shares of the Company at the option of the holder. The restricted share units which can be settled in cash or common shares of the Company have been treated as a liability award.

On June 30, 2014, the Company issued 1,335,000 restricted share units to directors, management and employees which entitles the holders to 1,335,000 common shares of the Company over the vesting period. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.40 per share and vest over three years.

15. Shareholders' Equity and Earnings per Share - continued

On August 30, 2013, the Company issued 100,000 restricted share units to management and employees which entitles the holders to 100,000 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 $0.44 per share.

On June 3, 2013, the Company issued 1,718,555 restricted share units to management and employees which entitles the holders to 1,718,555 common shares of the Company. Of the restricted share units issued, 713,054 vest immediately, 543,841 vest in one year, 230,830 vest in two years and 230,830 vest in three years. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.49 per share.

On May 28, 2013, the Company issued 100,000 restricted share units to management and employees which entitles the holders to 100,000 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 $0.53 per share.

The Company's outstanding restricted share units are as follows:

Years ended December 31,	**2014**	2013
Restricted share units	**Units**	Units
Balance, beginning of period	**1,583,548**	610,000
Restricted share units granted	**2,851,513**	1,918,555
Restricted share units exercised	**(838,788)**	(914,724)
Restricted share units forfeited	**(181,438)**	(30,283)
Balance, end of period	**3,414,835**	1,583,548

The weighted-average remaining contractual life of restricted share units outstanding as at December 31, 2014 is 1.3 years.

On August 14, 2012, the Company entered into a promissory note for $500 with the Company's CEO who is also a director of the Company. This promissory note bears interest at 4% per annum. The promissory note and related interest will be forgiven by the Company if the CEO is employed with the Company on the maturity date of September 3, 2016. If the CEO resigns prior to September 3, 2016, the promissory note and related interest is repayable on demand. In addition, a private placement for 782,227 common shares at a price of $0.64 and 782,227 warrants at a price of $0.75 was completed with the CEO on August 14, 2012. The Company is recording these transactions as share based compensation. The fair value of the common shares and warrants are being recognized over the term of the promissory note. The Company has not recorded a loan receivable or interest income related to the promissory note. The Company determined the fair value of the common shares issued based on the quoted market price of the shares on August 14, 2012 of $0.75 per share. The Company determined the fair value of the warrants to be $0.48 per warrant using the Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	89%
Risk-free interest rate	1.33%
Expected life in years	4
Share price at date of issue	$0.75
Forfeiture rate	Nil

15. Shareholders' Equity and Earnings per Share - continued

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

Years ended December 31,	**2014**		2013	
Share purchase warrants	**Warrants**	**Weighted average exercise price**	Warrants	Weighted average exercise price
Balance, beginning of year	**33,177,310**	**$0.71**	28,576,590	$0.55
Warrants granted	**17,117**	**1.56**	—	—
Warrants exercised	**(18,650,000)**	**0.33**	6,098,920	1.55
Warrants expired	**(1,850,000)**	**0.33**	(1,498,200)	1.09
Balance, end of year	**12,694,427**	**$1.31**	33,177,310	$0.71
Exercisable, end of year	**10,948,264**	**$1.26**	31,431,147	$0.65

The weighted-average remaining contractual life and weighted-average exercise price of warrants outstanding as at December 31, 2014 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**
$0.46 - $1.78	**12,694,427**	**$1.31**	**1.4**	**10,948,264**	**$1.26**

Earnings per share
Earnings per share has been calculated on the basis of profit or loss for the year 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 unvested shares, share options, warrants and convertible debt outstanding during the period. Loss 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, restricted share units, 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.

The following table illustrates the basic and diluted weighted average shares outstanding for the years ended December 31, 2014 and 2013:

	For the years ended December 31,	
	2014	2013
Basic weighted average shares outstanding	**145,220,893**	129,031,987
Dilutive effect of unvested shares	**1,450,545**	19,640
Dilutive effect of share options	**1,593**	150,168
Dilutive effect of warrants	**—**	6,609,426
Dilutive effect of convertible debt	**55,016,271**	49,172,347
Diluted shares outstanding	**201,689,302**	184,983,568

16. 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 are approved by the independent non-executive directors of the Company or are at market terms.

Related party transactions
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 59,551,287 shares or approximately 38% of the issued and outstanding common shares of the Company as at December 31, 2014. This ownership percentage disclosed assumes the issuance of 2,113,916 escrowed and restricted shares in the total common shares considered to be outstanding.

On May 28, 2014, GHIS exercised 18,650,000 common share purchase warrants at a strike price of $0.33 per common share. Of the gross consideration of $6,155, a reduction of $4,200 was made to settle the completion fees of $1,400 from the LifeMark acquisition and the financing fee of $2,800 related to specific 2011 financing activities previously due and payable to GHIS.

On March 21, 2013, GHIS and the Company negotiated an amended consulting agreement which eliminated the completion fees, removed the consulting fees for the year ended December 31, 2013, and amended the consulting fees to $75 per month from January 2014 to the completion of the agreement in June 2015. The Company issued 4,802,311 common shares to GHIS on July 3, 2013 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 were subject to a one year hold period unless the Company's Board of Directors approves an earlier release date. The Company's shareholders approved the amended consulting agreement on May 9, 2013. The Company has recorded stock based compensation expense of $2,785 for the year ended December 31, 2013 representing the fair value of the shares approved on May 9, 2013. On March 21, 2013, GHIS waived their consulting fees for the fourth quarter of 2012.

For the year ended December 31, 2014, the Company incurred $900 (2013 - $nil) in GHIS consulting fees, $84 (2013 - $103) in GHIS travel related expenses and $135 (2013 - $344) in interest on related party amounts.

Included in trade payables and other amounts at December 31, 2014 and December 31, 2013 are $155 and $4,203, respectively, due to GHIS; and $25 and $25, respectively for interest payable to Jamon.

The Company holds a lease agreement for the use of a medical office as part of its Performance Medical Group operations which is owned by a director of Performance Medical Group. The Company lease expense for this location for the year ended December 31, 2014 was $118 (2013 - $118).

The Company holds a lease agreement for the use of an office and dispensing location as part of its pharmacy operations which is partially owned by a member of the pharmacy segment senior management team. The Company's lease expense for this location for the year ended December 31, 2014 was $246 (2013 - $295).

During the year, a settlement for a dispute was reached with one of its vendors (whose principal is also a current employee of the Company). Refer to note 3 for further details.

16. Related Party Transactions and Balances - Continued

Related party loans
The Company has a promissory note with Jamon for $5,000 that bears interest at 6% with a conversion feature which is due April 30, 2018. The conversion price for the note is $0.46 per share and the conversion of the note is at the option of the holder. 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 $0.46 per share which expires on April 30, 2018.

In the third quarter of 2014, the Company launched a Key Employee Engagement Share Plan ("KEESP") to enable eligible employees to acquire common shares of the Company. The KEESP allows employees to contribute towards the purchase of common shares of the Company whereby the Company will match employee contributions by up to three times with payments capped at a predetermined level. The portion of funds matched by the Company is repayable by the employees as a promissory note bearing interest at 3% and repayable in equal annual installments over five years. A receivable from employees of $124 has been included in trade and other receivables.

On August 14, 2012, the Company entered into a promissory note with the Company's CEO for $500 who is a director and officer of the Company. This promissory note bears interest at 4% per annum. The promissory note and related interest will be forgiven by the Company if the CEO is employed on the maturity date of September 3, 2016. If the CEO resigns prior to September 3, 2016, the promissory note and related interest is repayable on demand. In addition, a private placement for 782,227 common shares at a price of $0.64 per share and 782,227 warrants with an exercise price of $0.75 per share was completed with the CEO on August 14, 2012. The accounting treatment for this transaction is presented in note 17.

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 and on January 1, 2014 the Company released an additional 200,000 shares which became freely tradeable. Effective January 1, 2015 an additional 300,000 of these shares became freely tradeable.

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

	Years ended December 31,	
	2014	2013
	$	$
Salaries and benefits	**1,637**	1,847
Share-based payments	**97**	94
Other long-term benefits	**5**	5
Director fees	**404**	376
	2,143	2,322

17. Interest Expense

Interest expense for the years ended December 31, 2014 and 2013 is comprised of the following:

	For the years ended December 31,	
	2014	2013
	$	$
Interest on Term Loan, Revolving Facility and second lien senior secured notes	**19,328**	16,946
Amortization of loan arrangement fees	**1,236**	6,432
Interest on related party amounts	**435**	644
Accretion of related party loan discounts	**362**	450
Interest on capital leases	**51**	103
Amortization of deferred gain on interest rate swap	**(20)**	(173)
Interest on convertible debt	**3,292**	3,294
Accretion on convertible debt	**4,351**	3,521
Accretion on preferred partnership units	**602**	—
Interest expense before distributions for preferred partnership units	**29,637**	31,217
Distributions for preferred partnership units	**4,049**	4,988
Total interest expense	**33,686**	36,205
Interest income	**(777)**	(11)
Net interest expense	**32,909**	36,194

The decrease in amortization of loan arrangement fees for the year ended December 31, 2014 was due to the replacement of the Term Loan in April 2013.

18. General and Administrative Expenses

The components of general and administrative expenses are as follows:

	For the years ended December 31,	
	2014	2013 (Restated - note 21)
	$	$
Employee costs	**37,257**	32,654
Other operating expenses	**42,047**	38,052
Corporate office expenses	**15,689**	15,822
Depreciation and amortization	**25,917**	26,273
Share-based compensation expense	**1,814**	6,520
	122,724	119,321

19. 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 26.5% (2013 - 26.5%) to income taxes as follows:

	December 31, 2014	December 31, 2013
	$	$
Loss before income taxes	**(39,251)**	(31,668)
Expected income tax recovery based on statutory tax rate	**(10,401)**	(8,392)
Impact from non-deductible items	**1,164**	1,833
Impact from unrecognized deferred tax asset	**5,667**	10,000
Permanent differences relating to contingent consideration	**210**	(954)
Recognition of certain tax differences on business combination intangibles	**—**	3,036
Accounting to tax return adjustments	**1,702**	1,219
Effect of future tax rate changes	**—**	(9)
Income tax expense (recovery)	**(1,658)**	6,733
Current	**3,600**	6,138
Deferred	**(5,258)**	595

Permanent differences in the years ended December 31, 2014 and 2013 arose as a result of share-based compensation and other expenses, 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 consolidated statement of financial position and on a total gross basis in the notes to the financial statements.

The components of deferred income tax assets are as follows:

	December 31, 2014	December 31, 2013
	$	$
Property and equipment	**2,436**	992
Non-capital losses carried forward	**3,103**	5,354
Accrued liabilities deductible when paid	**834**	413
Deferred income tax assets	**6,373**	6,759

The components of deferred income tax liabilities are as follows:

	December 31, 2014	December 31, 2013
	$	$
Eligible capital expenditures	**443**	5,274
Convertible debt	**2,252**	2,628
Deferred income tax liabilities	**2,695**	7,902
Net deferred income tax assets (liabilities)	**3,678**	(1,143)

19. Income Taxes - continued

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

	December 31, 2014	December 31, 2013
	$	$
Deferred income tax asset	**7,828**	9,140
Deferred income tax liability	**4,150**	10,283
Net deferred income tax asset (liabilities)	**3,678**	(1,143)

The Company's movement in its net deferred tax asset (liability) is as follows:

	December 31, 2014	December 31, 2013
	$	$
Net deferred tax asset (liability), beginning of year	**(1,143)**	(8,647)
Recognized in statement of income and comprehensive income	**5,258**	(595)
Recognized in loss from discontinued operations	**316**	8,390
Acquired in business combinations	**(753)**	—
Other	**—**	(291)
Net deferred tax asset (liability), end of year	**3,678**	(1,143)

At December 31, 2014, the Company recorded $nil (2013 - $802) in trade and other receivables related to Scientific Research and Experimental Development ("SRED") tax incentives. The net benefit recognized is based on estimates made by the Company.

As at December 31, 2014, the Company had $86,023 (2013 - $70,769) of gross tax loss carryforwards, which will expire between 2014 and 2034. As at December 31, 2014, the Company had $943 (2013 - $40) of net capital losses. 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 $19,400 (2013 - $13,500) which the Company has not recorded at December 31, 2014 in respect of certain non-capital losses carried forward.

The Company will add goodwill and intangible assets to its CEC pool when an asset acquisition of a business is completed. The Company will not add goodwill and intangible assets to its CEC pool when a share acquisition of a business is completed, unless there is a specified intangible asset that was acquired in the share purchase agreement for the acquisition.

Deferred income tax assets of $834 (2013 - $229) are expected to be recovered within twelve months and $5,539 (2013 - $6,530) are expected to be recovered after more than twelve months. 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.

Deferred income tax liabilities of $2,695 (2013 - $7,902) are expected to be incurred after more than twelve months.

The total provision for income taxes varies from the amounts that would be computed by applying the statutory income tax rate of approximately 26.5% (2013 - 26.5%) due to permanent differences. Permanent differences in the years ended December 31, 2014 and 2013 arose as a result of share based compensation and other expenses that will never be realized as a deduction for income tax purposes, and deferred tax assets not recognized.

20. 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 three reportable operating segments, as discussed in note 1, referred to as: (i) Physiotherapy, Rehabilitation and Assessments; ii) Specialty Pharmacy; and (iii) Surgical and Medical Centres.

The Retail and Home Medical Equipment segment, excluding its orthotics operations, which was previously presented as a separate reporting segment, and the methadone pharmacy operations, which was previously presented as part of the Specialty Pharmacy segment, are included as a part of discontinued operations for the year ended December 31, 2014 as disclosed in note 21.

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, advisory fees and acquisition-related services provided by independent third parties have been reported in the Corporate reportable segment.

	As at and for the year ended December 31, 2014				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Revenue	175,142	95,576	37,356	—	**308,074**
Depreciation and amortization	16,031	5,893	3,337	656	**25,917**
Income (loss) before interest expense, income taxes and discontinued operations[9]	8,733	6,271	43	(21,389)	**(6,342)**
Interest expense	—	—	—	32,909	**32,909**
Capital expenditures	2,123	1,127	2,542	994	**6,786**
Goodwill	100,950	30,802	11,862	—	**143,614**
Total assets	169,958	58,605	28,418	56,255	**313,236**
Total liabilities	15,791	6,118	7,808	317,533	**347,250**

	As at and for the year ended December 31, 2013 (restated - note 21)					
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Assets/ Liabilities from Discontinued Operations $**	**Total $**
Revenue	163,803	87,825	29,520	—	—	**281,148**
Depreciation and amortization	16,964	5,979	2,788	542	—	**26,273**
Income (loss) before interest expense, income taxes and discontinued operations	5,663	3,522	(123)	(4,536)	—	**4,526**
Interest expense	—	—	—	36,194	—	**36,194**
Capital expenditures	2,173	1,354	1,935	721	—	**6,183**
Goodwill	100,677	30,802	13,398	—	26,125	**171,002**
Total assets	179,753	60,742	25,921	12,106	112,778	**391,300**
Total liabilities	14,941	12,109	5,713	324,007	19,617	**376,387**

[9] Included in the income before interest expense, income taxes and discontinued operations for the Corporate segment is $808 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the year, $5,381 in transaction and restructuring costs and $326 of non-cash gains from the change in fair value of derivative financial instruments.

21. Discontinued Operations

During the year ended December 31, 2014, the Company completed the sale of CAR and Active, finalized the sale of the majority of its retail and home medical equipment operations and its methadone pharmacy operations and closed its surgical centre in Sarnia, Ontario. As a result of these transactions, the results from operations from these businesses have been presented as discontinued operations on the Company's Statement of Income.

Retail and Home Medical Equipment

On September 12, 2014, the Company announced that it had completed the sale of the assets of the majority of its retail and home medical equipment segment for gross cash proceeds of $50,000. This transaction also includes provisions to adjust to a normalized working capital as at the closing date of the transaction. These adjustments to working capital were final as at September 30, 2014. Following the sale the respective assets and liabilities were removed from the Company's Statement of Financial Position. As a result of the sale, the Company has recognized a loss of $4,408.
As of the date when this divestiture was announced in June 2014, the Company identified a triggering event with respect to the impairment of goodwill in the retail and home medical equipment CGU as a result of this sale. The Company compared the fair value less cost to sell of this CGU to its carrying value. Based on the valuation performed, the carrying value exceeded the fair value of the CGU by $4,300. Accordingly, the Company recorded an impairment for the year ended December 31, 2014. The valuation methodology utilized is considered within level 3 of the fair value hierarchy. As a result of this transaction, it was also determined that certain intangible assets under development related to computer software had a fair value of nil and as such an impairment of $1,123 was recorded for the year ended December 31, 2014.

Methadone Pharmacy

On September 2, 2014, the Company announced that it had completed the sale of the assets of its methadone pharmacy operations for gross cash proceeds of $20,000. This transaction also includes provisions to adjust to a normalized working capital as at the closing date of the transaction. These adjustments to working capital were finalized as at December 31, 2014. The methadone pharmacy operations were part of the Company's pharmacy segment. Following the sale of the methadone pharmacy its assets and liabilities were removed from the Company's Statement of Financial Position. As a result of the sale, the Company has recognized a gain of $12,815.

CAR

On May 8, 2014, the Company completed an agreement to sell 100% of the shares of CAR. The purchase price of $2,500 was satisfied through issuance of an eight-year note bearing interest at 7% per annum payable monthly. CAR was previously a part of the physiotherapy, rehabilitation and assessments segment. Following the sale of CAR its assets and liabilities were removed from the Company's Statement of Financial Position. As a result of the sale, the Company has recognized a gain of $831. Subsequent to December 31, 2014, the Company announced the reacquisition of 100% of the shares of CAR. Refer to note 26 for more details.

Active Health Services Limited

On May 8, 2014, the Company completed an agreement to sell 100% of the shares of Active. The purchase price of $12,000 was satisfied through issuance of an eight-year note bearing interest at 7% per annum payable monthly. Active was previously a part of the physiotherapy, rehabilitation and assessments segment. Following the sale of Active its assets and liabilities were removed from the Company's Statement of Financial Position. As a result of the sale, the Company has recognized a loss of $3,684.

21. Discontinued Operations - continued

The Company identified a triggering event with respect to the impairment of goodwill in its Physiotherapy - Seniors Wellness CGU as a result of the sale of Active. The Company compared the fair value less cost to sell of this CGU to its carrying value. In order to determine the fair value, the Company used a discounted cash flow approach with a risk-adjusted weighted average cost of capital of 11.5%. Based on the valuation performed, the carrying value exceeded the fair value of the CGU by $13,835, which the Company has recorded as an impairment for the year ended December 31, 2014. The valuation methodology utilized is considered within level 3 of the fair value hierarchy.

Subsequent to December 31, 2014, the Company announced the reacquisition of 100% of the shares of Active. Refer to note 26 for more details.

Sarnia Surgical Center

Effective April 30, 2014, the Company decided to cease the operations at its surgical location in Sarnia, Ontario, which was previously a part of the Surgical segment. The Company identified a triggering event with respect to the impairment of goodwill in the Surgical - Eastern Canada CGU as a result of this closure. The Company assessed the recoverability of the assets associated with this facility and determined that the goodwill balance of $2,330 and the leasehold improvement balance of $329 would not be recoverable and resulted in the Company recording an impairment of these assets for the year ended December 31, 2014. The valuation methodology utilized is considered within level 3 of the fair value hierarchy.

The cash flows from discontinued operations for the years ended December 31, 2014 and 2013 are as follows:

	For the years ended December 31	
	2014	2013
	$	$
Operating cash flows	**458**	11,083
Investing cash flows	**(930)**	(3,588)
Financing cash flows	**(61)**	(108)
Total Cash Flows	**(533)**	7,387

21. Discontinued Operations - continued

The results from discontinued operations, including the results recognized on the re-measurement of assets, for the years ended December 31, 2014 and 2013 are as follows:

	For the year ended December 31, 2014					
	Retail and Home Medical Equipment $	**Methadone Pharmacy $**	**Active $**	**CAR $**	**Sarnia $**	**Total $**
Revenues	71,206	12,313	6,830	1,940	411	**92,700**
Expenses	73,730	10,333	6,541	1,529	968	**93,101**
Depreciation and amortization	3,027	532	148	5	82	**3,794**
Impairments	5,423	—	13,835	—	2,659	**21,917**
(Gain) loss on sale of businesses	4,408	(12,815)	3,684	(831)	—	**(5,554)**
(Loss) income before income taxes from discontinued operations	(15,382)	14,263	(17,378)	1,237	(3,298)	**(20,558)**
Income tax (recovery) expense	(2,761)	1,015	(782)	57	1,523	**(948)**
(Loss) income from discontinued operations	**(12,621)**	**13,248**	**(16,596)**	**1,180**	**(4,821)**	**(19,610)**

	For the year ended December 31, 2013					
	Retail and Home Medical Equipment $	**Methadone Pharmacy $**	**Active $**	**CAR $**	**Sarnia $**	**Total $**
Revenues	108,764	17,847	42,441	4,475	1,189	**174,716**
Expenses	111,499	14,857	34,540	3,873	2,005	**166,774**
Depreciation and amortization	6,122	1,160	867	17	145	**8,311**
Impairments	14,500	—	44,007	—	1,000	**59,507**
(Loss) income before income taxes from discontinued operations	(23,357)	1,830	(36,973)	585	(1,961)	**(59,876)**
Income tax (recovery) expense	(4,189)	1,020	(4,360)	296	(194)	**(7,427)**
(Loss) income from discontinued operations	**(19,168)**	**810**	**(32,613)**	**289**	**(1,767)**	**(52,449)**

Included in the net loss from discontinued operations is $nil (2013 - $nil) attributable to non-controlling interests.

22. Commitments

Future minimum annual lease payments under operating leases for premises from continuing operations are as follows:

	December 31, 2014	December 31, 2013
	$	$
Less than one year	**9,964**	14,218
Between one and five years	**27,310**	41,668
More than five years	**10,147**	15,662
Total	**47,421**	71,548

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.

Operating lease expenses for the year ended December 31, 2014 were $24,174 (2013 - $25,546).

23. Contingencies

From time to time the Company is involved in litigation, investigations or proceedings related to claims arising out of its operations in the ordinary course of business. 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.

24. Supplementary Disclosure to the Consolidated Statements of Cash Flows

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

	For the years ended December 31,	
	2014	2013
	$	$
Trade and other receivables	**(2,540)**	(1,066)
Inventories	**(1,091)**	3,960
Prepaid expenses	**(715)**	186
Trade payables and other amounts	**7,666**	(6,838)
	3,320	(3,758)

25. Comparative Figures

For the year ended December 31, 2014, the Company has amended its tracking and presentation of labour costs. The tracking and presentation has been updated as part of the Company's implementation of a new budgeting process in 2014 which enhances the tracking of direct and indirect labour costs. As a result, the Company has re-classified certain balances for the year ended December 31, 2013 in order to conform with the presentation in the current year. These reclassifications results in a decrease to employee costs and an increase of cost of healthcare services of $40,345 for the year ended December 31, 2013 for both continuing and discontinued operations.

26. Subsequent Events

On February 2, 2015 the Company announced that it completed the re-acquisition of all the issued and outstanding shares of CAR and Active for full repayment of the amounts owing under the two promissory notes issued in favour of the Company. The principal amounts of the notes were $2,500 and $12,500 respectively.

On March 2, 2015, the Company announced it had completed the acquisition of 100% of the shares of Pharmacare Fulfillment Center Ltd., an Edmonton-based leading specialty pharmacy business operating under the Care Plus, Pharmacare and Lidia's Pharmacy brands (collectively, the "Care Plus Group"). The total consideration will be settled by cash of up to $34,000, of which $26,000 was payable on closing, and the issuance of up to 12,608,695 shares of the Company, of which 4,347,826 were issued on closing. The contingent consideration of up to $8,000 in cash and up to 8,260,869 shares is to be paid over a three year period based on the achievement of performance targets as specified in the definitive agreement. The Company also issued warrants to the vendor to purchase up to 4,000,000 common shares of the Company accrued based on the outperformance of the total three year target.