Management's Discussion and Analysis
For the years ended December 31, 2019 and 2018

Dated: March 26, 2020

Index

Management's Discussion and Analysis

(For the years ended December 31, 2019 and 2018)

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 "*Strategic Priorities*", "*Growth Strategies and Outlook*" and "*Risks and Uncertainties*" and other statements concerning Centric Health Corporation's, ("Centric Health", "Centric" or the "Company") 2019 and 2020 objectives, strategies to achieve those objectives, Adjusted EBITDA Margin projections, 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 Company's liquidity and capital requirements, government regulation and funding, the highly competitive nature of the Company's industry, reliance on contracts with key customers 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 statements contained in this MD&A are based on 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 statement of financial position and the consolidated statement of income and comprehensive income of the Company for the years ended December 31, 2019 and 2018 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 consolidated financial statements and notes thereto for the years ended December 31, 2019 and 2018. The consolidated financial statements for the years ended December 31, 2019 and 2018 are prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB"). The Company's significant accounting policies are summarized in detail in note 2 of the consolidated financial statements for the years ended December 31, 2019 and 2018. 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 26, 2020. 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.

Our Business

Centric Health's vision is to be the leading provider of pharmacy and other healthcare services to Canadian seniors.

The Company is one of Canada's leading, and most trusted providers of comprehensive Specialty Pharmacy services and solutions to seniors. We operate a large national network of pharmacy fulfilment centres that deliver high-volume solutions for the cost-effective supply of chronic medication and other specialty clinical pharmacy services, serving more than 31,000 residents in over 460 seniors communities (long-term care, retirement homes, and assisted living facilities) nationally.

With services that address the growing demand within the Canadian healthcare system, Centric Health's unparalleled national care delivery platform provides significant potential for future expansion and growth.

Our long-term strategy focuses on delivering organic growth, pursuing geographic expansion and M&A opportunities, and broadening our portfolio of service offerings in the seniors healthcare space.

Our dedicated team and organizational culture has an unwavering commitment to achieving the highest service and ethical standards and delivering a superior quality of care to seniors. ***This is our unique brand of care.***

Your Care. Our Focus.

14
fulfilment centres

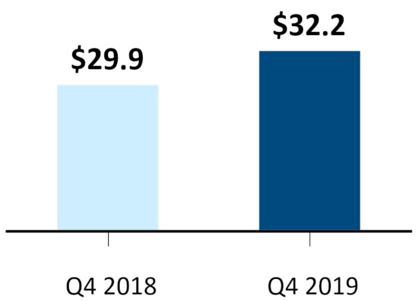
>460
long-term care and retirement homes

>31,000
beds

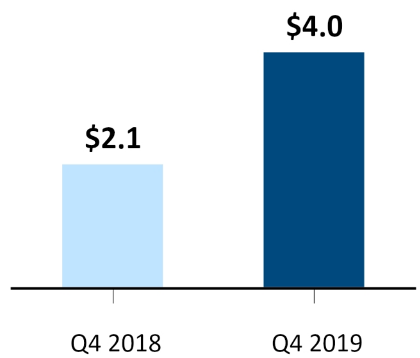
>900,000
prescriptions monthly

Highlights for the Fourth Quarter and the Full Year ended December 31, 2019

Specialty Pharmacy Quarterly Revenue
($millions)



Specialty Pharmacy Quarterly Adjusted EBITDA
($millions)



Highlights for the Fourth Quarter of 2019 and subsequent to quarter-end

(All comparative figures are for the fourth quarter of 2018)

- **Specialty Pharmacy Revenue from continuing operations increased 7.9% to $32.2 million for the three month period ended December 31, 2019, compared to $29.9 million in the same period in the prior year**
  - Growth was driven by an increase of 6.0% in the average number of beds serviced in the quarter to 31,457, compared to 29,690 in the same period in the prior year.
- **Specialty Pharmacy Adjusted EBITDA[1] from continuing operations increased 86.7% to $4.0 million for the three month period ended December 31, 2019, compared to $2.1 million in the same period in the prior year**
  - Growth was driven by the increase in the average number of beds serviced in the quarter, and the impact of the Business Re-Engineering Plan that was executed during the second half of 2018;
  - The results for the fourth quarter of 2019 include an increase to Adjusted EBITDA for Specialty Pharmacy of $0.5 million as a result of the Company's adoption of IFRS 16 *Leases*, effective January 1, 2019; and
  - Before and after the impact of the adoption of IFRS 16, Adjusted EBITDA margin in Specialty Pharmacy was 10.8% and 12.3%, respectively, for the fourth quarter of 2019.
- **Entered into agreement to acquire Remedy'sRx Specialty Pharmacy ("Remedy's")**
  - Subsequent to quarter-end, on March 23, 2020, the Company signed a definitive agreement to acquire Remedy's for a total purchase price of up to $44.0 million;
  - Remedy's is a leading specialty pharmacy serving more than 18,500 residents of long-term care, assisted living and other institutional settings across Ontario and Western Canada, generating approximately $60.0 million of revenue annually;
  - The transaction also includes a pending acquisition by Remedy's that will contribute an additional 800 beds serviced; and
  - The purchase price is comprised of (i) $8.0 million of cash consideration, (ii) $23.0 million of common shares of the Company, issued at an implied issue price of $0.184 per common share, (iii) $4.0 million of deferred consideration due 12 months following closing, (iv) $4.0 million of consideration payable under a vendor take-back note due 18 months following closing and (v) earn-out consideration of up to $5.0 million if certain performance targets are achieved over the two years following closing.

- **Entered into binding commitment letters to refinance the Credit Facilities and for acquisition financing**
  - Subsequent to quarter-end, the Company also entered into binding commitment letters with Crown Capital Partners Inc. ("Crown Capital") and Yorkville Asset Management Inc. for and on behalf of certain managed funds ("Yorkville");
  - Crown Capital will advance credit facilities of up to $30.0 million in three tranches: (i) an initial tranche of $22.0 million, which will be used to repay the Company's outstanding Credit Facilities, (ii) a second tranche of $5.0 million, which will be used by the Company to fund a portion of the cash consideration for the Remedy's acquisition and (iii) a third tranche of $3.0 million upon the Company reaching certain financial milestones (the "Crown Capital Facilities");
  - Interest on the Crown Capital Facilities will accrue at a rate of 10% per annum and the Crown Capital Facilities will be repayable five years from closing, subject to certain prepayment rights. In addition, the Company expects to issue 7,200,000 warrants to Crown Capital, with each warrant entitling the holder thereof to acquire one common share at an exercise price of $0.25 per common share for a period of five years;
  - Yorkville will advance a subordinated loan to the Company of up to $12.0 million (the "Subordinated Loan") in two tranches: (i) an initial tranche of $6.0 million, which is expected to close contemporaneously with the first tranche of the Crown Capital Facilities, and (ii) a second tranche of $2.0 million (which may be increased by an additional $4.0 million at Yorkville's option), which is expected to close contemporaneously with the Remedy's acquisition; and
  - The Subordinated Loan will rank in priority to the Company's existing subordinated convertible debentures but subordinate to the Crown Capital Facilities. Interest on the Subordinated Loan will accrue at a rate of 12% per annum. The Subordinated Loan will mature 24 months from closing, subject to certain prepayment rights of the Company or the mutual agreement of the Company and Yorkville to extend the maturity date.

- **Completed the sale of the Surgical and Medical Centres business for gross proceeds of $35.0 million**
  - On November 26, 2019, the Company closed the sale of the Surgical and Medical Centres business to the Kensington Private Equity Fund for a cash purchase price of $35.0 million; and
  - Net proceeds from the sale were used to repay a portion of the Credit Facilities.

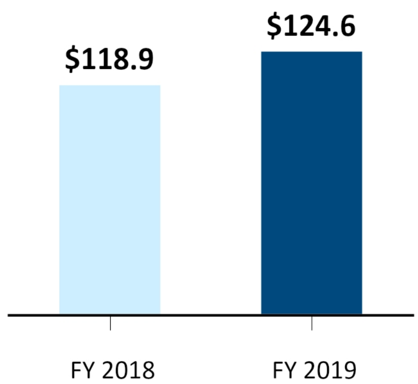
- **Closed a private placement of common shares and convertible debentures for gross proceeds of $35.2 million**
  - On November 22, 2019, the Company closed a private placement of common shares and convertible debentures to Yorkville and certain shareholders and directors of the Company for total gross proceeds of $35.2 million (the "Private Placement");
  - The Private Placement consisted of the issuance of $7.7 million of common shares and $27.5 million aggregate principal amount of 8.25% unsecured convertible debentures (the "Convertible Debentures");
  - Following the completion of the Private Placement, the Company exchanged $12.5 million of convertible preferred shares of the Company for an equivalent amount of 8% unsecured convertible debentures ("Ewing Convertible Debentures") issued to funds and accounts managed by Ewing Morris & Co. Investment Partners Ltd. ("Ewing Morris"); and
  - The net proceeds of the Private Placement were used by the Company to repay a portion of the Credit Facilities.

- **Amendments to the *Ontario Drug Benefit Act* ("ODBA")**
  - During the fourth quarter of 2019, the Ontario Ministry of Health ("MOH") informed long-term care pharmacy operators in Ontario that they were proceeding with certain amendments to the ODBA;
  - Notably, these amendments eliminated the ability for long-term care pharmacies in Ontario to charge a dispensing fee, co-pays or other clinical billings such as MedsChecks, instead imposing a capitation model on long-term care pharmacies in the province, which is similar to the model the Company is already subject to in B.C., with annual fees starting at $1,500 dollars per bed serviced, declining to $1,200 dollars per bed by the fourth year following implementation; and
  - The Company expects that the annualized net impact to Adjusted EBITDA from these amendments will be an approximate $1.5 million decrease for 2020.

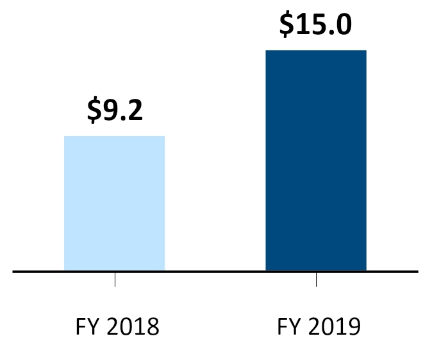
- **Made permanent the appointment of Andrew Mok as Chief Financial Officer**
  - The Company appointed Andrew Mok as the Chief Financial Officer, after having served in the role on an interim basis since November 2018.

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

Specialty Pharmacy Annual Revenue
($millions)



Specialty Pharmacy Annual Adjusted EBITDA
($millions)



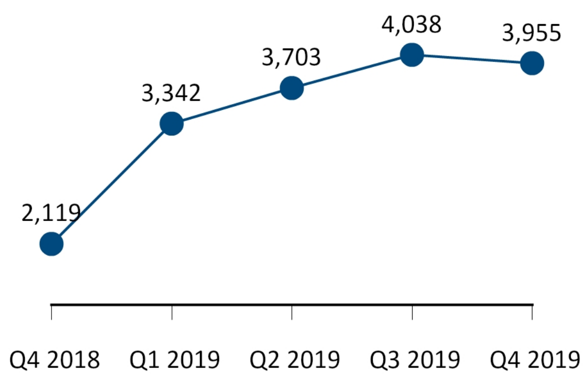
Highlights for the Full Year 2019

(All comparative figures are for full year 2018)

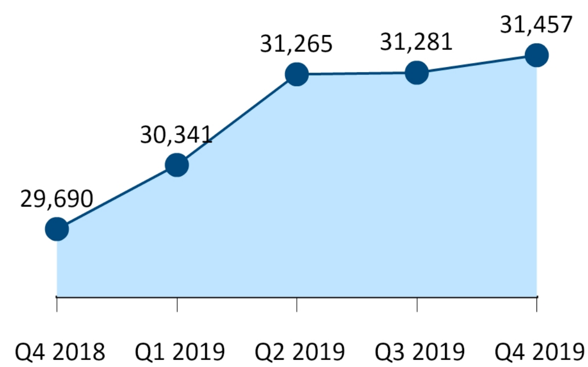
- **Specialty Pharmacy Revenue increased by 4.8% to $124.6 million for the year ended December 31, 2019, compared to $118.9 million in the year ended December 31, 2018**
  - Growth was driven by an increase of 7.6% in the average number of beds serviced in the year to 31,091, compared to 28,894 in the prior year.
- **Specialty Pharmacy Adjusted EBITDA from continuing operations increased by 62.7% to $15.0 million, for the year ended December 31, 2019, compared to $9.2 million in the year ended December 31, 2018**
  - Growth was driven by an increase in the average number of beds serviced throughout the year, and the impact of the Business Re-Engineering Plan that was executed during the second half of 2018;
  - The improvement in Adjusted EBITDA for Specialty Pharmacy is also partially attributable to a $1.8 million increase as a result of the Company's adoption of IFRS 16 *Leases,* effective January 1, 2019; and
  - Before and after the impact of the adoption of IFRS 16, Adjusted EBITDA margin in Specialty Pharmacy was 10.6% and 12.1%, respectively, for the year ended December 31, 2019 compared to 7.8% in the year ended December 31, 2018.
- **Continued execution of deleveraging plan and new strategic direction to establish the Company as the leading provider of pharmacy and other healthcare services to Canadian seniors**
  - Divested the Company's retail pharmacy operation located in Medicine Hat, AB on February 14, 2019;
  - Issued 30,000,000 convertible preferred shares of the Company on March 12, 2019 at an issue price of $0.40 per share for a gross proceeds of $12.0 million to Ewing Morris;
  - Divested the Company's retail pharmacy operation located in Grande Prairie, AB on June 24, 2019;
  - Issued 64,500,000 common shares of the Company at an issue price of $0.12 per share for gross proceeds of $7.7 million, and issued the Convertible Debentures on November 22, 2019 for gross proceeds of $27.5 million;
  - Closed the sale of the Surgical and Medical Centres business for gross proceeds of $35.0 million on November 26, 2019;
  - Subsequent to year-end, on March 23, 2020, entered into a definitive agreement to acquire Remedy's for a total purchase price of up to $44.0 million; and
  - Subsequent to year-end, in March 2020, entered into binding commitment letters with Crown Capital and Yorkville to refinance the Company's existing Credit Facilities and finance the Remedy's acquisition.
- **Completed transition to IFRS 16 *Leases* effective January 1, 2019**
  - Adopted using modified retrospective approach;
  - Substantial change to lease accounting standards, requiring single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases; and
  - Resulted in an overall increase to total Adjusted EBITDA from continuing operations of $2.0 million for the year ended December 31, 2019.

Key Performance Metrics - Fourth Quarter of 2019

Specialty Pharmacy Adjusted EBITDA
($ thousands)



Average Beds Serviced*



*Average beds serviced includes a restatement of previously reported numbers to reflect the impact of discontinued operations for retail pharmacies that were divested in 2019.

The Company uses a number of financial and non-financial metrics to assess its performance. The table below summarizes our most relevant metrics. The full results and discussion of each metric are subsequently presented in this report.

Growth	Total Revenue	●
	Beds Serviced	●
Profitability	Adjusted EBITDA	●
	Adjusted EBITDA Margin	●
Quality	Reported incidents	●
Liquidity	Cash Flows from Operations	●
	Net Debt to Adjusted EBITDA	●
	Free Cash Flow	●

● = Favourable ● = Stable ● = Unfavourable

Strategic Priorities

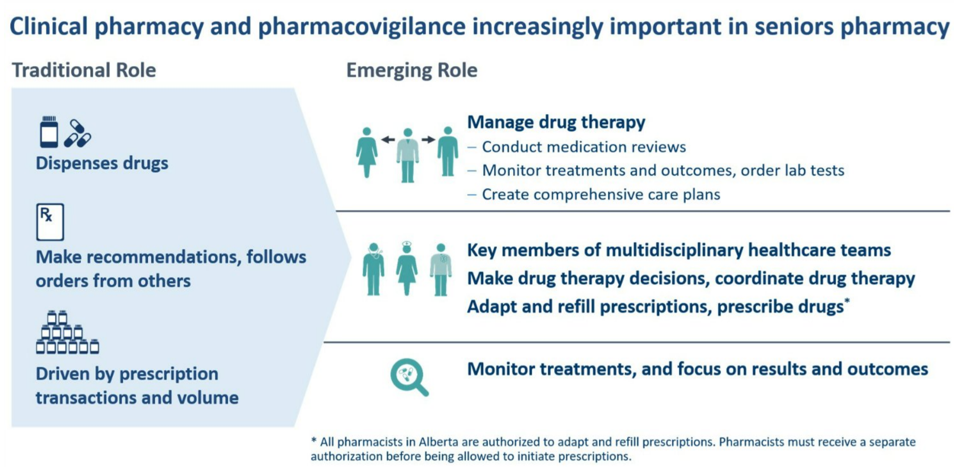
1. **Grow organically**
   - Leverage the Company's value proposition with seniors to win new contracts
   - Expand scope of services to utilize existing customer base and attract new customers
   - Maximize scale and efficiencies at existing facilities
2. **Make strategic acquisitions**
   - Pursue opportunities that will strengthen value proposition and expand national platform, achieving operational efficiencies through increased scale and consolidation of acquisitions
   - Apply strict criteria to ensure alignment, accretion and return on invested capital
3. **Reduce debt and strengthen balance sheet**
   - Reduction of total debt to Adjusted EBITDA over the medium term
   - Utilize effective working capital management to improve cash flows
4. **Improve business operations**
   - Optimize labour models and rely on innovative technology and economies of scale to drive efficiencies
   - Maintain standards of exceptional care
   - Manage costs at corporate office to ensure a lean shared service model and maximize overall profitability
   - Enhance quality reporting metrics that demonstrate value to customers with emphasis on best healthcare outcomes

Growth Strategies and Outlook

Centric Health is pursuing a multi-faceted growth strategy to increase revenue and expand Adjusted EBITDA margins through the diversification of its offerings and leveraging its best-in-class platform to offer the highest levels of service to more Canadians, with a focus on the following areas:

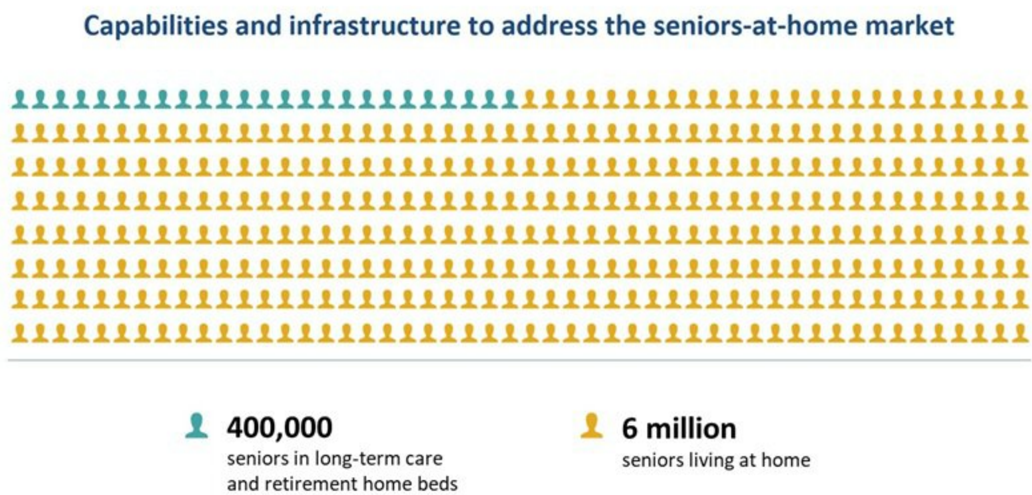
- Maximize utilization of its existing infrastructure through new RFP wins with local, regional and national seniors community operators;
- Expand clinical capabilities to strengthen its value proposition to its customers and drive new, higher margin revenue streams;
- Execute on strategic acquisition opportunities to expand its network and geographic coverage and benefit from economies of scale;
- Increase product and service offerings to seniors; and
- Reduce cost structure and benefit from economies of scale.

Given the public funding model and limited payor base for its Specialty Pharmacy services, the Company is actively pursuing strategies to mitigate its exposure to government regulatory changes and geographic concentration by diversifying its product and service offerings and expanding its payor base.



To meet the growing demands of the Canadian healthcare system, the scope of practice of pharmacists continues to broaden, presenting an opportunity for the Company to expand its service offerings.

A longer term opportunity is also available through serving the needs of seniors remaining in their homes.



With six million seniors already currently living at home, coupled with the increased life expectancy of Canadians, a significant favourable demographic trend exists for Specialty Pharmacy.

To pursue the opportunities provided by these demographic trends, and in line with its desire to expand its product and service offerings to seniors, the Company signed a strategic distribution and supply agreement and made an accompanying strategic investment in AceAge Inc. ("AceAge") for its home-based automated drug delivery appliance, Karie.

Designed for individuals taking multiple medications, particularly seniors living independently or without full-time care, Karie is an innovative device that simplifies complex medication regimes by automatically delivering prescription drugs, in the correct dosage and at the right time. As the device is completely compatible with the Company's automated dispensing and packaging systems, this partnership will provide the Company with opportunities for additional Specialty Pharmacy service offerings to seniors living in the Company's contracted seniors communities as well as those living in their own homes.

To further enhance and diversify its service offerings, the Company has also developed a medical cannabis strategy within the seniors communities that it serves. The Company is uniquely positioned through its presence in long-term care and retirement homes, as well as its expansion to seniors currently living at home, to provide a comprehensive service that addresses the complexities of medical cannabis use by seniors. The Company continues to partner with home operators and leverage its strategic partnership with Canopy to achieve the best possible solutions for the seniors that it serves.

Selected Financial Information

The following selected financial information as at and for the year ended December 31, 2019, 2018, and 2017, have been derived from the consolidated financial statements 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 month periods ended December 31,			For the years ended December 31,		
	2019	2018	2017	**2019**	2018	2017
(thousands of Canadian Dollars)	**$**	$	$	**$**	$	$
Revenue from continuing operations	**32,206**	29,854	29,282	**124,626**	118,919	117,143
Loss from continuing operations	**(1,879)**	(4,829)	(1,847)	**(5,268)**	(11,027)	(3,695)
Income (loss) from continuing operations before interest expense and income taxes	**(10,571)**	(5,275)	2,596	**(12,211)**	(28,904)	2,886
EBITDA[2] from continuing operations	**(8,264)**	(3,372)	4,497	**(3,024)**	(21,600)	10,067
Adjusted EBITDA[2] from continuing operations	**2,470**	604	2,255	**9,378**	3,671	10,477
Per share - Basic and diluted[3]	**$0.01**	$—	$0.01	**$0.04**	$0.02	$0.05
Adjusted EBITDA Margin from continuing operations	**7.7%**	2.0%	7.7%	**7.5%**	3.1%	8.9%
Adjusted EBITDA[2]	**3,313**	1,944	4,059	**12,691**	10,726	17,514
Per share - Basic and diluted[3]	**$0.01**	$0.01	$0.02	**$0.06**	$0.05	$0.09
Adjusted EBITDA Margin	**8.4%**	4.7%	9.6%	**7.8%**	6.3%	10.4%
Net income (loss)	**(18,939)**	(8,072)	3,301	**(29,307)**	(33,517)	2,279
Per share - Basic and diluted[3]	**($0.08)**	($0.04)	$0.02	**($0.13)**	($0.16)	$0.01
Cash provided by (used in) operations	**1,393**	(1,574)	5,440	**6,355**	6,592	16,073
Total assets	**87,083**	123,722	144,511	**87,083**	123,722	144,511
Total liabilities	**107,044**	133,799	124,379	**107,044**	133,799	124,379

[2] *Defined in Reconciliation of Non-IFRS Measures*

[3] *Earnings per share is based on the earnings attributable to shareholders of Centric Health Corporation.*

Results of Continuing Operations for the Three Month Periods and the Years Ended December 31, 2019 and 2018

Operating and Other Expenses as a Percentage of Revenue

	For the three month periods ended December 31,				For the years ended December 31,			
	2019		2018		**2019**		2018	
$ millions	**$**	**%**	$	%	**$**	**%**	$	%
Revenue	**32.2**	**100 %**	29.9	100 %	**124.6**	**100 %**	118.9	100 %
Operating expenses:								
Healthcare services and supplies	**22.2**	**68.9 %**	21.4	71.6 %	**85.2**	**68.4 %**	84.5	71.1 %
Employee costs	**2.7**	**8.4 %**	2.9	9.7 %	**11.1**	**8.9 %**	11.7	9.8 %
Other operating expenses	**3.4**	**10.6 %**	3.4	11.4 %	**13.2**	**10.6 %**	13.5	11.4 %
Corporate office expenses	**1.5**	**4.7 %**	1.5	5.0 %	**5.7**	**4.6 %**	5.6	4.7 %
Total operating expenses	**29.8**	**92.5 %**	29.2	97.7 %	**115.2**	**92.5 %**	115.3	97.0 %
Other expenses:								
Depreciation and amortization	**2.3**	**7.1 %**	1.9	6.4 %	**9.2**	**7.4 %**	7.3	6.1 %
Share-based compensation expense	**1.1**	**3.4 %**	1.9	6.4 %	**2.3**	**1.8 %**	3.0	2.5 %
Transaction, restructuring and other costs	**1.0**	**3.1 %**	1.7	5.7 %	**3.2**	**2.6 %**	4.4	3.7 %
Goodwill impairment	**8.0**	**24.8 %**	—	— %	**8.0**	**6.4 %**	17.0	14.3 %
Finance costs, net	**18.4**	**57.1 %**	2.6	8.7 %	**27.4**	**22.0 %**	10.7	9.0 %
Income tax expense (recovery)	**6.4**	**19.9 %**	0.9	3.0 %	**6.1**	**4.9 %**	(4.2)	(3.5) %
Total other expenses	**37.2**	**115.5 %**	9.0	30.1 %	**56.2**	**45.1 %**	38.2	32.1 %
Adjusted EBITDA	**2.5**	**7.7 %**	0.6	2.0 %	**9.4**	**7.5 %**	3.7	3.1 %

- The Company's results for the three month period and year ended December 31, 2019 include the impact of its transition to IFRS 16 *Leases*, a substantial change to the lease accounting standards, effective January 1, 2019. The Company adopted IFRS 16, using the modified retrospective approach and as a result, the Company's comparative information was not restated. As a result, the comparability of the Company's 2019 Adjusted EBITDA to periods prior to January 1, 2019 is impacted.
- The overall impact to Adjusted EBITDA from continuing operations from the Company's adoption of IFRS 16 for the three month period and year ended December 31, 2019 was an increase of $0.6 million and $2.0 million, respectively. Refer to note 2 of the consolidated financial statements for the year ended December 31, 2019 for further details regarding the Company's adoption of this new accounting standard.
- Revenue from continuing operations for the three month period and year ended December 31, 2019 increased by 7.9% to $32.2 million from $29.9 million and by 4.8% to $124.6 million from $118.9 million, respectively, for the same periods in the prior year.
- Revenue increased primarily as a result of growth driven by an increase in the average number of beds serviced and revenue initiatives implemented as part of the Company's Business Re-Engineering Plan.
- Going forward, the Company expects continued organic growth in revenue; however, the timing and cycles of the contract procurement process (and time required to realize revenue from formal procurement RFP processes), could result in some fluctuation of organic growth rates over time.

Operating expenses consist of four major components:

- healthcare services and supplies, which includes the salaries and benefits of employees directly involved in the provision of services, practitioner consultant fees, the cost of medical supplies and the cost of pharmaceuticals sold;
- employee costs, which includes salaries and benefits of employees that are not directly involved in the provision of services;
- other operating expenses, which includes occupancy costs, communication, insurance, advertising and

promotion and administrative expenses incurred at the operational level; and,
- corporate office expenses, which includes shared service costs, salaries and benefits, occupancy costs, communication, advertising and promotion, insurance, public company costs, board of directors and sub-committee fees and other costs of the corporate office.

- Overall operating expenses for the three month period ended December 31, 2019 increased by 1.7% to $29.8 million as compared to $29.2 million for the same period in the prior year.
- Overall operating expenses for the year ended December 31, 2019 were flat at $115.2 million as compared to $115.3 million for the year ended December 31, 2018.
- Cost of healthcare services and supplies for the three month period and year ended December 31, 2019 increased by 3.6% to $22.2 million as compared to $21.4 million and by 0.9% to $85.2 million as compared to $84.5 million, respectively, for the same periods in the prior year, largely due to increased pharmaceutical costs as a result of the increased number of beds serviced which were partially offset by labour efficiencies achieved as a result of the Business Re-Engineering Plan.
- Employee expenses for the three month period and year ended December 31, 2019 decreased by 6.5% to $2.7 million as compared to $2.9 million and decreased by 5.1% to $11.1 million as compared to $11.7 million, respectively, for the same periods in the prior year, largely due to labour efficiencies driven by the Business Re-Engineering Plan initiatives.

Corporate office expenses for the three month period ended December 31, 2019 were flat at $1.5 million as compared to the same period in the prior year.

Corporate office expenses for the year ended December 31, 2019 increased by 1.7% to $5.7 million as compared to $5.6 million for the year ended December 31, 2018. The increase compared to the prior year was primarily due to certain executive position vacancies in portions of the prior year.

Transaction, restructuring and other costs include legal, consulting and due diligence fees directly related to business combinations or business restructuring, and costs associated with new customer contract implementation, as well as severance costs, start-up costs for new initiatives and legal and consulting costs for business restructuring.

- Transaction, restructuring and other costs for the three month period and year ended December 31, 2019 decreased by 40.5% to $1.0 million as compared to $1.7 million and by 27.7% to $3.2 million as compared to $4.4 million, respectively, for the same periods in the prior year, largely due to decreased restructuring costs as the Business Re-Engineering Plan was completed in the prior year.

Finance costs, net includes interest expense and accretion expense relating to the Company's borrowings, interest expense relating to the Company's finance leases and the loss on financial liability extinguishment.

Finance costs, net for the three month period and year ended December 31, 2019 were $18.4 million as compared to $2.6 million and $27.4 million as compared to $10.7 million, respectively, for the comparable periods in the prior year.

Finance costs, net excluding losses and accretion for the three month period and year ended December 31, 2019 were $2.2 million as compared to $2.0 million and $9.8 million as compared to $6.7 million, respectively, in the same periods in the prior year, largely due to additional interest payable on the Company's credit facilities, and interest on finance leases as a result of IFRS 16 adoption effective January 1, 2019.

Accretion expense for the three month period and year ended December 31, 2019 was $13.1 million as compared to $0.6 million and $14.5 million as compared to $4.0 million, respectively, in the same periods in the prior year, largely due to $12.4 million recognized to adjust the liability component of the Convertible Debentures to their principal amount of $27.5 million as at December 31, 2019, consistent with the accounting treatment of the Credit Facilities.

Loss on financial liability extinguishment for the three month period and year ended December 31, 2019 was $3.0 million as compared to nil for the comparable periods in the prior year, due to the exchange of the convertible preferred shares of the Company for Ewing Convertible Debentures accounted for as an extinguishment of the original financial liability as required under IFRS.

Income tax expense for the three month period and year ended December 31, 2019 was $6.4 million and $0.9 million as compared to $6.1 million and a recovery of $4.2 million, respectively, for the comparable periods in the prior year, largely due to the impact of deferred tax assets that were derecognized in the current year. As at December 31, 2019 and December 31, 2018, the Company had gross loss carryforwards amounting to $50.8 million and $39.9 million, respectively, that can be carried forward against future taxable income. 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 did not recognize deferred tax assets of $17.6 million as at December 31, 2019 (2018 - $7.0 million).

Revenue and Adjusted EBITDA

This section presents the results of operations for the three month periods and years ended December 31, 2019 and 2018 for the Company's sole operating segment, Specialty Pharmacy, as well as corporate office costs.

The support services provided through the corporate office largely support the operations of the Company. Certain amounts of these costs have been allocated to Specialty Pharmacy and operations included in discontinued operations based on the extent of corporate management's involvement in the operations of the those businesses during the period.

For the three month periods ended December 31,	**Revenue**		**Adjusted EBITDA**			
	2019	2018	**2019**		2018	
(thousands of Canadian Dollars)	**$**	$	**$**	**%**	$	%
Specialty Pharmacy	**32,206**	29,854	**3,955**	**12.3**	2,118	7.1
Corporate	**—**	—	**(1,485)**	**—**	(1,514)	—
Total	**32,206**	29,854	**2,470**	**7.7**	604	2.0

For the years ended December 31,	**Revenue**		**Adjusted EBITDA**			
	2019	2018	**2019**		2018	
(thousands of Canadian Dollars)	**$**	$	**$**	**%**	$	%
Specialty Pharmacy	**124,626**	118,919	**15,038**	**12.1**	9,242	7.8
Corporate	**—**	—	**(5,660)**	**—**	(5,571)	—
Total	**124,626**	118,919	**9,378**	**7.5**	3,671	3.1

Specialty Pharmacy

Three month period ended December 31, 2019:

- Revenue increased 7.9% to $32.2 million from $29.9 million for the same period in the prior year.
- Adjusted EBITDA increased 86.7% to $4.0 million from $2.1 million for the same period in the prior year and Adjusted EBITDA margin increased to 12.3% from 7.1%.

Year Ended December 31, 2019:

- Revenue increased by 4.8% to $124.6 million from $118.9 million for the same period in the prior year.
- Adjusted EBITDA increased 62.7% to $15.0 million from $9.2 million for the same period in the prior year and Adjusted EBITDA margin increased to 12.1% from 7.8%.

For the three month period ended December 31, 2019, the revenue increase compared to the same period in the prior year was due to the increase in the average number of beds serviced in the fourth quarter of 2019 as well as the impact of revenue initiatives from the Business Re-Engineering Plan.

For the year ended December 31, 2019, the revenue impact of the regulatory changes that occurred in the first and second quarters of 2018 were more than offset by the increase in the average number of beds serviced in 2019 as well as the impact of revenue initiatives from the Business Re-Engineering Plan.

Compared to the same periods in the prior year, Adjusted EBITDA for the three month period and year ended December 31, 2019 was positively affected by:

- The Business Re-Engineering Plan initiatives, together with an increase in the number of beds serviced, which offset the margin pressures caused by the regulatory changes;
- Operational efficiencies achieved through increased scale as a higher average number of beds were serviced compared to the prior periods; and
- The impact of the transition to IFRS 16 of $0.5 million and $1.8 million for the three month period and year ended December 31, 2019, respectively.

Corporate Office

Corporate office expenses for the three month period and year ended December 31, 2019 compared to the same periods in the prior year were relatively consistent, with a slight decrease for the three month period ended December 31, 2019 and a slight increase for the year ended December 31, 2019. These changes were due to the timing of certain employee vacancies in the current and prior year, and the impact of the transition to IFRS 16 of $0.1 million and $0.3 million for three month period and year ended December 31, 2019, respectively.

Discontinued Operations

During the year ended December 31, 2019, the Company divested the operating assets of its retail pharmacy operations in Grande Prairie, AB and Medicine Hat, AB and the Company's Surgical and Medical Centres business. The results of these operations have been included as part of discontinued operations on the consolidated statement of income and comprehensive income. In addition, as required under IFRS, the Company classified its Performance Orthotics business as assets held for sale and have presented its current and prior year results as discontinued operations. Revenue and Adjusted EBITDA from discontinued operations were $7.0 million and $0.8 million, for the three month period ended December 31, 2019, and $38.0 million and $3.3 million, for the year ended December 31, 2019, respectively. The impact of the transition to IFRS 16 in discontinued operations was an increase to Adjusted EBITDA of $0.3 million and $1.5 million for the three month period and year ended December 31, 2019, respectively.

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, which primarily operates in an environment in which government regulations and funding play a key role. The Company defines capital to include share capital, warrants and the stock option component of its shareholders' equity as well as its borrowings and contingent consideration. In addition to the cash flows 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 and continue its operations as a going concern. In order to maintain or adjust its capital structure, the Company may seek financing through the issuance of securities such as equity, convertible debentures or subordinated debt, or by replacing existing debt with debt on terms more consistent with the Company's needs.

As at December 31, 2019, the Company had $57.3 million of borrowings outstanding including $16.4 million drawn on its Credit Facilities.

In 2018, the Company was subject to two significant regulatory changes: (1) the pan-Canadian generic pharmaceuticals plan; and (2) The Government of Alberta funding framework for Pharmacists. These two regulatory changes have had a significant impact on operations and financial performance of the Company. During the prior year, management initiated a plan to offset the impact of these regulatory changes within Specialty Pharmacy, focused on re-engineering the businesses to achieve operational efficiencies through work flow improvements, enhanced labour models, expanding service and product offerings, identifying other revenue generating opportunities and utilization of technology for automating processes.

In addition, during the year ended December 31, 2019, the MOH informed long-term care pharmacy operators in Ontario that they were proceeding with certain proposed amendments to the ODBA, effective January 1, 2020, which are expected to further impact profitability and leverage.

As a result of these regulatory changes and their impact on the financial performance of the Company, for the years ended December 31, 2019 and 2018, the Company completed a series of amendments to its agreements for its Credit Facilities to revise the Company's financial covenants and receive covenant waivers as further discussed below.

The Company committed to executing on its operating plans and further reduce its leverage and, as such, the Company has pursued several strategic opportunities, including the divestiture of existing businesses and other non-core assets, the recapitalization of the balance sheet through the issuance of additional equity, convertible debentures or subordinated debt and strategic acquisitions within its core business. All strategic alternatives being considered by the Company were and continue to be focused on further deleveraging the balance sheet and maximizing shareholder value.

As part of the execution of this strategy:

- During the years ended December 31 2019 and 2018, the Company divested of three retail pharmacy operations in Medicine Hat, AB, Grande Prairie, AB and Richmond, BC for total proceeds of $4.6 million.
- On March 12, 2019, the Company issued 30,000,000 convertible preferred shares to Ewing Morris in exchange for $12.0 million in gross proceeds.
- On November 22, 2019, the Company closed the Private Placement for total gross proceeds of $35.2 million. In addition, the Company exchanged the $12.5 million of convertible preferred shares of the Company held by Ewing Morris for an equivalent amount of Ewing Convertible Debentures.
- On November 26, 2019, the Company completed the sale of its Surgical and Medical Centres business for gross proceeds of $35.0 million.
- On January 1, 2020, the Company completed the divestiture of its ownership interest in the Performance Orthotics business.
- On March 23, 2020, the Company signed a definitive agreement to acquire Remedy's for a total purchase price of up to $44.0 million.
- In March 2020, the Company signed binding commitment letters with Crown Capital and Yorkville to refinance the Company's existing Credit Facilities and finance the Remedy's acquisition.

As a result of these initiatives, during the year ended December 31, 2019, the Company repaid $67.6 million of its Credit Facilities.

There can be no assurance that the Company will complete the execution of these strategic alternatives, including the closing of the Remedy's acquisition, Crown Capital Facilities or Subordinated Loan or that the Company will meet conditions established by its lenders in the credit agreements. These circumstances may cast significant doubt as to the Company’s ability to continue as a going concern, and the ultimate appropriateness of the use of accounting principles applicable to a going concern. The Company’s ability to continue as a going concern materially affects the measurement of many amounts related to the Company in the consolidated financial statements. These measurements could be materially different than currently presented.

Credit Facilities

The Company's credit facilities are with a syndicate of lenders comprised of three major Canadian banks and provided for credit facilities of up to an aggregate amount of $113.5 million. At inception, the credit facilities were made up of up to $100.0 million in senior secured facilities (the "Senior Facilities") and $13.5 million in a secured subordinated term credit facility (the "Subordinated Facility") (collectively, the "Credit Facilities").

All of the Credit Facilities are guaranteed by the Company's subsidiaries and secured by the assets of the Company and each of its subsidiaries.

The Senior Facilities were structured as follows: (i) a revolving credit facility in the amount of up to $18.0 million (up to $20.0 million prior to May 30, 2019), including a swingline of up to $3.0 million ("Revolving Facility"), (ii) a non-revolving term loan facility in the amount of up to $60.0 million ("Term Facility"), and (iii) a limited revolving acquisition and capital expenditure term loan facility in the amount of up to $4.8 million (up to $20.0 million prior to May 30, 2019) to be available in multiple draws ("Acquisition Facility").

Interest rates under the Senior Facilities vary based on the Company's total funded debt to EBITDA ratio with a range between 0.50% to 3.50% over the Canadian prime rate for prime rate loans and 2.00% to 5.00% over CDOR for Bankers' Acceptances and a range of 0.40% to 1.05% for standby fees for amounts not borrowed.

The Subordinated Facility consists of a term loan that was fully drawn in one advance for a total of $13.5 million, which accrues interest at a rate of 9% per annum. The Subordinated Facility matures five and a half years after the date of the agreement. On June 23, 2017, the Company prepaid $2.0 million of the principal balance along with a $20 thousand cash consent fee in accordance with the Subordinated Facility agreement. On June 29, 2018, as a result of an amendment to the Subordinated Facility agreement, the Company began accruing additional interest payable in kind of 1% per annum on a monthly basis towards the outstanding principal balance.

On November 26, 2019, the Company repaid all outstanding balances under the Term and Acquisition Facilities as well as accrued interest on the Credit Facilities and paid down substantially all of the outstanding balance under the Revolving Facility with the net proceeds received from the Private Placement and divestiture of the Company's Surgical and Medical Centres business.

On March 20, 2018 and June 29, 2018, the Company amended its agreements for the Credit Facilities to increase the threshold on its debt to trailing twelve-month EBITDA covenant and decrease the threshold on its fixed-charge coverage ratio covenant. The amendments were made to the fourth quarter of 2017 and the first three quarters of 2018 due to non-compliance in those quarters due to timing differences in the transition between contracts and the delayed onboarding of beds from issues with a third-party supplier, as well as the impact of recent regulatory changes.

On November 14, 2018, the Company received a covenant waiver for the third quarter of 2018 and further amended its agreements for the Credit Facilities such that interest owing on the Subordinated Facility would accrue for a period of up to six months and the Company would be subject to escalating increases in interest rates of 0.75% to 2.0% on its Senior Facilities and 2.5% to 5.0% on its Subordinated Facility, all of which would be payable and due on the earlier of the completion of a divestiture of its non-core assets or March 31, 2019.

On March 12, 2019, the Company received a covenant waiver for the fourth quarter of 2018 and amended its agreements for the Credit Facilities to revise its financial covenants for the fourth quarter of 2018 and first quarter of 2019 to financial targets established by a financial review by an independent third-party that was approved by the lenders.

On May 30, 2019, October 31, 2019 and January 24, 2020, the Company received covenant waivers for the second, third and fourth quarters of 2019, respectively, and further amended its agreements for the Credit Facilities to revise its financial covenants for these periods to financial targets consistent with the fourth quarter of 2018 and first quarter of 2019, in addition to a further financial covenant based on the Company's cash flow forecasts. In addition, the May 30, 2019 amendment also affected a temporary reduction in the Revolving Facility from $20.0 million to $18.0 million and a permanent reduction in the Acquisition Facility from $20.0 million to $4.8 million.

In March 2020, the Company signed binding commitment letters with Crown Capital and Yorkville to advance total facilities of up to $30.0 million and $12.0 million, respectively, to refinance the Company's existing Credit Facilities and finance the Remedy's acquisition.

Cash Flow

Cash flow activities for the year ended December 31, 2019 were as follows:

Cash provided by operating activities

Cash provided by operating activities was $6.4 million compared to $6.6 million in the prior year:

- Cash provided by operating activities in the current year compared to the prior year related to the timing of certain payments to suppliers that occurred in the prior year, as well as a reduction in cash provided by discontinued operations which offset increases in cash provided from continued operations compared to the prior year.

- The Company has historically generated positive cash flows from operating activities and anticipates that these will continue to be positive going forward.

Cash provided by/used in investing activities

Cash provided by investing activities was $33.8 million compared to cash used in investing activities of $6.3 million in the prior year:

- Cash provided by investing activities in the current year related to the proceeds from the divestiture of the Company's Surgical and Medical Centres business, and disposition of the assets of two retail pharmacy operations in Alberta, partially offset by purchases of property and equipment and intangible assets and payments of earn-outs related to historical acquisitions.

- Cash used in investing activities in the prior year related to purchases of property and equipment and intangible assets as well as payments made related to prior year acquisitions and an additional investment in AceAge.

Cash used in financing activities

Cash used in financing activities was $40.1 million compared to $0.3 million in the prior year:

- Cash used in financing activities in the current year related to payments of interest and repayments made on the Credit Facilities and finance leases, net of the proceeds from the Private Placement, convertible preferred shares issued to Ewing Morris and restricted cash released from restrictions.

- Cash used in financing activities in the prior year related to payments of interest and repayments of borrowings and finance leases, and distributions to non-controlling interests offset by proceeds from warrants exercised, restricted cash released from restrictions and withdrawals from the Revolving and Acquisition Facilities.

Contractual Commitments

The Company's contractual commitments at December 31, 2019, are as follows:

	Total	2020	2021-2022	2023-2024
	$	$	$	$
Trade payables and other liabilities	**18.6**	18.6	—	—
Convertible Debentures	**27.5**	27.5	—	—
Ewing Convertible Debentures	**12.5**	—	—	12.5
Subordinated Facility	**11.7**	11.7	—	—
Revolving Facility	**4.7**	4.7	—	—
Finance loans	**0.1**	0.1	0.1	—
Finance leases	**9.1**	2.2	4.0	2.9
Interest payments on borrowings	**18.9**	5.3	10.2	3.4
Contingent consideration	**5.9**	3.4	2.5	—
Total	**109.1**	73.4	16.7	18.9

The Company incurs interest on its Credit Facilities. Future interest to be paid on the Revolving Facility cannot be reasonably determined due to the ongoing fluctuation of the Revolving Facility balance. Interest rates under the Senior Facilities vary based on the Company's total funded debt to EBITDA ratio with a range between 0.50% to 3.50% over the Canadian prime rate for prime rate loans and 2.00% to 5.00% over CDOR for Bankers' Acceptances and a range of 0.40% to 1.05% for standby fees for amounts not borrowed.

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, 2019, the Company had total shares outstanding of 287,978,043. The outstanding shares include 4,054,232 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 and certain customers. 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 283,923,811 common shares outstanding as at December 31, 2019 and 210,355,022 shares outstanding at December 31, 2018.

For the year ended	December 31, 2019	December 31, 2018
Common shares		
Balance, beginning of year	**210,355,022**	201,468,731
Issuance of common shares	**70,507,952**	5,225,616
Common shares released from escrow or issued from treasury for contingent consideration	**700,000**	833,332
RSUs and warrants exercised	**2,269,928**	2,427,343
Deferred consideration for acquisitions	**90,909**	400,000
Balance, end of year	**283,923,811**	210,355,022

On February 3, 2020, the Company issued 6,378,675 common shares for the settlement of contingent consideration related to prior acquisition of the Company's Grande Prairie pharmacy business.

Issuance of Deferred Stock-based Compensation

As at December 31, 2019, there were a total of 7,815,473 restricted share units and deferred share units outstanding to grant an equivalent number of common shares.

For the year ended	December 31, 2019	December 31, 2018
RSUs and DSUs		
Balance, beginning of year	**6,045,903**	3,224,080
RSUs and DSUs granted	**5,400,751**	4,690,000
RSUs and DSUs released	**(2,269,928)**	(1,427,343)
RSUs and DSUs forfeited	**(1,361,253)**	(440,834)
Balance, end of year	**7,815,473**	6,045,903

Issuance of Warrants

As at December 31, 2019, there were 17,730,333 warrants outstanding at a weighted average exercise price of $0.28.

For the year ended	December 31, 2019	December 31, 2018
Share purchase warrants		
Balance, beginning of year	**2,822,000**	2,972,000
Warrants granted	**14,908,333**	850,000
Warrants exercised	**—**	(1,000,000)
Balance, end of year	**17,730,333**	2,822,000
Exercisable, end of year	**16,808,333**	1,900,000

Issuance of Stock Options

As at December 31, 2019, there were a total of 1,670,000 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $0.40, expiring at various dates through 2021. The number of exercisable options at December 31, 2019, was 1,435,000 with a weighted average exercise price of $0.40.

For the year ended	December 31, 2019	December 31, 2018
Common share options		
Balance, beginning of year	**1,838,750**	2,347,500
Options expired	**(148,750)**	(25,000)
Options cancelled/forfeited	**(20,000)**	(483,750)
Balance, end of year	**1,670,000**	1,838,750
Exercisable, end of year	**1,435,000**	1,157,500

Should all outstanding options and warrants that were exercisable at December 31, 2019 be exercised, the Company would receive proceeds of $5.3 million.

As at the date of this report, March 26, 2020, the number of shares outstanding, including escrowed shares, is 295,150,099; the number of options outstanding is 1,602,000; the number of restricted share units and deferred share units outstanding is 7,766,724; and the number of warrants outstanding is 15,830,333. Included in the shares outstanding are 4,054,232 restricted shares, shares held in escrow, or in trust, and are not freely tradeable.

Transactions with Related Parties

A collective group of officers and directors own 80,289,298 common shares or approximately 27.88% of the issued and outstanding common shares of the Company as at December 31, 2019. This ownership percentage disclosed assumes the issuance of 4,054,232 escrowed and restricted shares in the total common shares considered to be outstanding.

In the normal course of operations, the Company may enter into certain related party transactions, which may include transactions entered into with Company directors and management. All related party transactions would be for consideration established with the related parties, generally on market terms, and approved by the independent non-executive directors of the Company, including the transactions described below.

One of the former Board members, who ceased to be a member of the Board during the year ended December 31, 2019 was assisting management on an interim basis. Included in the results for the year ended December 31, 2019 are $90 thousand (2018 - $180 thousand) of consulting fees related to this arrangement that were paid while they were still a member of the Board.

On March 29, 2018, one of the Board members exercised 1,000,000 warrants at a $0.46 exercise price and received 1,000,000 common shares in exchange for $460 thousand in proceeds.

In addition, certain directors help manage funds that own the Convertible Debentures, Ewing Convertible Debentures and common shares issued on November 22, 2019.

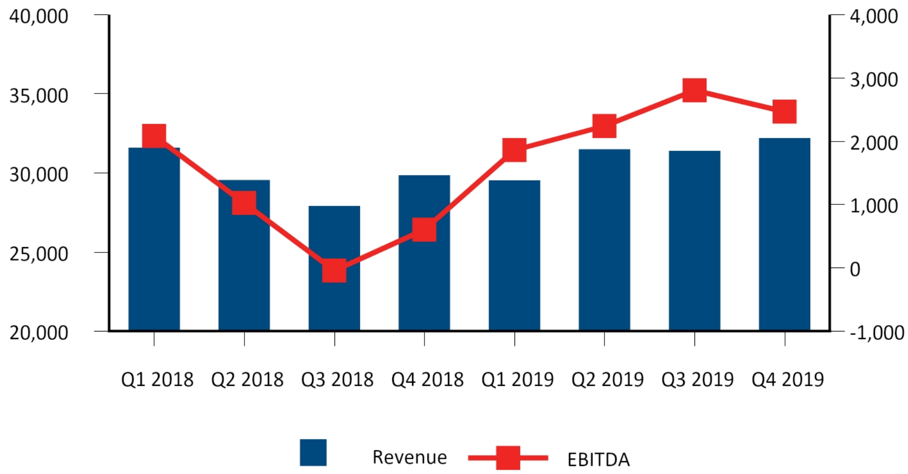
Summary of Quarterly Results

(thousands of Canadian Dollars)	Q4 2019 $	Q3 2019 $	Q2 2019 $	Q1 2019[4] $
Revenue from continuing operations	32,206	31,397	31,490	29,533
Adjusted EBITDA from continuing operations	2,470	2,807	2,242	1,859
Adjusted EBITDA per share from continuing operations:				
Basic and diluted	$0.01	$0.01	$0.01	$0.01
Net loss from continuing operations	(35,275)	(2,601)	(1,519)	(6,282)
Earnings per share from continuing operations				
Basic and diluted	($0.15)	($0.01)	($0.01)	($0.03)
Adjusted EBITDA	3,313	2,690	3,548	3,140
Adjusted EBITDA per share:				
Basic and diluted	$0.01	$0.01	$0.02	$0.01
Net loss	(18,939)	(3,501)	(1,596)	(5,271)
Earnings per share				
Basic and diluted	($0.08)	($0.02)	($0.01)	($0.03)
	Q4 2018[4, 5] $	**Q3 2018[4, 5] $**	**Q2 2018[4] $**	**Q1 2018[4] $**
Revenue from continuing operations	29,854	27,922	29,555	31,588
Adjusted EBITDA from continuing operations	604	(42)	1,025	2,084
Adjusted EBITDA per share from continuing operations:				
Basic and diluted	$—	$—	$0.01	$0.01
Net loss from continuing operations	(8,766)	(3,749)	(20,133)	(2,739)
Earnings per share from continuing operations:				
Basic and diluted	($0.04)	($0.02)	($0.10)	($0.01)
Adjusted EBITDA	1,944	1,551	3,406	3,825
Adjusted EBITDA per share				
Basic and diluted	$0.01	$0.01	$0.02	$0.02
Net loss	(8,072)	(2,901)	(20,693)	(1,853)
Earnings per share				
Basic and diluted	($0.04)	($0.01)	($0.10)	($0.01)

[4] Revenue and Adjusted EBITDA from continuing operations includes a restatement of previously reported amounts in order to reflect the impact of discontinued operations for businesses that were divested in 2018 and 2019 as well as assets held for sale.

[5] Certain figures have been revised. Refer to note 22 of the December 31, 2019 consolidated financial statements.

Revenue and Adjusted EBITDA from Continuing Operations by Quarter (in $000)



Beginning in the second quarter of 2018, the Company's revenue and Adjusted EBITDA decreased compared to the prior quarter primarily as a result of the regulatory changes in Alberta and nationally, which resulted in reductions to fee revenues earned in Alberta and the reduction in the prices of nearly 70 of the most commonly prescribed drugs in Canada, which were reduced by 25% to 40%, resulting in overall discounts of up to 90% off the price of their brand-name equivalent.

In the fourth quarter of 2018, the Company achieved quarter-over-quarter growth in revenue and Adjusted EBITDA as a result of cost savings and incremental revenues achieved through the Business Re-Engineering Plan as well as additional beds serviced during the quarter. This quarter-over-quarter growth in Adjusted EBITDA continued in the first, second and third quarters of 2019 as the number of beds serviced continued to increase and the full impact of cost savings measures from the Business Re-Engineering Plan were realized, in addition to the transitional impact of IFRS 16.

In the fourth quarter of 2019, the Company achieved quarter-over-quarter growth in revenue as the number of beds serviced continued to increase. Despite this increase in revenue, the Company experienced a slight decline in quarter-over-quarter Adjusted EBITDA as result of transition costs associated with the newly onboarded homes and a slight change in the composition of beds serviced, as funding models vary by geography and between types of beds such as long-term care and retirement.

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, 2019, 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.

There have been no significant changes to the Company's ICFR for the year ended December 31, 2019, 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 ended December 31, 2019, the CEO and CFO 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, 2019. 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 ICFR appropriate to the nature and size of the Company. However, any system of ICFR has inherent limitations and can only provide reasonable assurance with respect to financial statement preparation and presentation.

In conjunction with the conversion to the new IFRS 16 *Leases,* the Company has determined that the adoption of this new accounting standards did not have a significant impact on its control environment.

Critical Accounting Policies and Estimates

Critical Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRS and its interpretations as issued by the IASB that are effective for the year ended December 31, 2019.

With the exception of the new standards adopted by the Company described below, the Company's significant accounting policies are summarized in detail in note 2 of the consolidated financial statements for the year ended December 31, 2019.

New standards, amendments and interpretations adopted by the Company

The Company has initially adopted IFRS 16 *Leases* beginning January 1, 2019. A number of other amendments are also effective from January 1, 2019 but they do not have a material effect on the Company’s financial statements.

IFRS 16 Leases

IFRS 16 *Leases* introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases for leases with terms of more than twelve months, unless the underlying asset is of low value. Lessor accounting for leases as finance and operating leases will remain substantially unchanged. The IASB issued the standard in 2016, replacing IAS 17 *Leases* and related interpretations.

The Company has adopted IFRS 16 using the modified retrospective method, without prior period comparatives restated, with the effect of initially applying this standard recognized at the date of initial application (i.e. January 1, 2019). Accordingly, the information presented for 2018 has not been restated - it is presented, as previously reported, under IAS 17 and related interpretations.

The adoption of IFRS 16 resulted in the recognition of right-of-use assets and lease liabilities of $8,767 and $9,023, respectively, in continuing operations as at January 1, 2019, with no net impact on retained earnings. In addition, deferred lease incentives were reduced to $nil as at January 1, 2019.

Refer to note 2 of the consolidated financial statements for the year ended December 31, 2019 for further details regarding the Company's adoption of this new accounting standard.

Critical Accounting Estimates and Judgments

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

Significant critical accounting estimates include the collectability of receivables, assessment of impairment of goodwill and intangible assets, the recognition of contingent consideration, the valuation of deferred tax assets and tax provisions and the accounting for business combinations.

Collectability of Receivables

The Company assesses the collectability of receivables on an ongoing basis. A provision for expected credit losses involves management judgment and includes the review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts, adjusted for forward-looking factors.

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 June 30 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.

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 acquired business 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 and changes in the estimated probability of achieving the earnings targets. Shares issued or released from escrow in final settlement of contingent consideration are recognized at their fair value at the time of issue with a corresponding reduction in the contingent consideration liability.

Valuation of Deferred Tax Assets

In assessing the realization of deferred tax assets, the Company considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable profits during the period in which those temporary losses and tax loss carry-forwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

Deferred tax assets in excess of deferred tax liabilities have not been recognized because it is not probable that the Company will be able to use these benefits. As at December 31, 2019, the Company has gross tax loss carry-forwards of $50.8 million (2018 - $39.9 million), which expire between 2031 to 2039, that can be carried forward against future taxable income. 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 did not recognize deferred tax assets of $17.6 million as at December 31, 2019 (2018 - $7.0 million).

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

Business Combinations

On the completion of business acquisitions, management's judgment is required to estimate the purchase price, to identify and to fair value all assets and liabilities acquired. The determination of the fair value of assets and liabilities acquired is based on management’s estimates and certain assumptions generally included in a present value calculation of the related cash flows.

Leases

Management makes assumptions and estimations in the determination of the incremental borrowing rates used to calculate the present value of lease payments. In addition, the Company exercises judgment when assessing whether renewal options are reasonably certain to be exercised.

Accounting for investments

Under IFRS 9, Financial Instruments ("IFRS 9"), it is acknowledged that, in certain circumstances, cost may be an appropriate estimate of fair value. The Company has considered the guidance provided by IFRS 9 and all available information about the performance and operations of the investee and has concluded that cost is representative of the fair value of the investment. The Company performs an assessment at each reporting date to determine if cost is still the best estimate of fair value. If the Company identifies any relevant factors that would indicate that cost is not representative of fair value, the Company will make use of other valuation methods to determine the fair value.

Judgment is needed to assess whether the Company's interest in an equity instrument meets the definition of significant influence and therefore would be accounted for under the equity method as opposed to FVTPL. Management makes this determination based on its legal ownership interest, board representation and through an analysis of the Company's participation in the entity's decision making process. As at and for the years ended December 31, 2019 and 2018, management determined that it is not able to exert significant influence over AceAge Inc. ("AceAge").

Revision of Prior Period Comparatives

A review of the Company’s application of IFRS 9 on the modifications of its credit agreements was undertaken in the first quarter of 2019. Upon completing this review, the Company revised its December 31, 2018 comparative financial statements to reflect an understatement of its borrowing liability of $3.3 million as a result of overstatements to the unaccreted discounts on its Term Facility and Subordinated Facility. This understatement resulted in a corresponding understatement of interest expense (accretion expense) of $3.3 million, an understatement of deferred tax assets of $0.9 million and an associated understatement of income tax recoveries of $0.9 million.

The Company assessed the materiality of this adjustment and concluded that it was not material to any of the previously issued consolidated financial statements. As a result, the Company revised comparative balances in these statements for these changes. The factors that it considered when assessing materiality were that: the changes did not have an impact on the Credit Facilities; there was no impact to the Company's financial covenants; these adjustments were non-cash in nature; there were no changes to the consolidated statement of cash flows for the total impact on operating, investing and financing activities; there was no impact on the Company's assessment of going concern or classification of borrowings as a current liability; there was no impact to revenue; there was no impact to the January 1, 2018 opening balances; and there was no impact to management's compensation (i.e. performance targets). Refer to note 22 of the consolidated financial statements for the year ended December 31, 2019 for the impacts of this revision.

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, the costs of administration and its debt servicing obligations. 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 or preferred shares or other securities exchangeable for or convertible into common shares) to fund its working capital needs or all or a part of a particular venture or in connection with acquisitions, 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, a lack of investor demand or market conditions beyond its control, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares may be restricted.

The Company currently has the Credit Facilities, as well as the Convertible Debentures and Ewing Convertible Debentures, pursuant to which it is subject to a number of affirmative and negative financial covenants. These include, but are not limited to, restrictions on incurring additional indebtedness, paying dividends or other distributions, making certain investments/acquisitions, selling assets of the Company, conducting certain cannabis-related activities, payments on subordinated debt, and the ability to pay earn-out obligations.

In addition, the Credit Facilities are collateralized by substantially all of the Company's assets. In the event of a default, including, among other things, a failure to make any payment when due or non-observance of any term of the agreements, all of the Company's obligations may immediately become due and payable, and the lenders would also be entitled to realize on their security and liquidate the assets of the Company. If the lenders under the Credit Facilities accelerate the repayment of borrowings, the Company cannot assure that it will have sufficient assets to repay the amounts outstanding, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company has received a waiver for its financial covenants for the period ended December 31, 2019. Previously, management's forecasts projected that the Company would breach certain financial covenants of the Credit Facilities in the fourth quarter of 2018 and first quarter of 2019. The Company amended its agreements for the Credit Facilities in anticipation of forecasted breaches of the financial covenants during the fourth quarter of 2018 and the first quarter of 2019 and received waivers of the existing financial covenants and revised these to be based on financial targets established through a financial review by an independent third-party that was approved by the lenders. In addition to the revised financial targets, the amendments also revised the payment of the accrued interest owing on the Senior Facilities and Subordinated Facility, such that half of the accrued interest, excluding any escalations in interest rates, on the Subordinated Facility would be payable on the issuance of the convertible on March 12, 2019 and the remaining accrued interest would be payable on the completion of the divestiture of remaining non-core assets. The interest owing on the Senior Facilities and Subordinated Facility was previously amended such that the Company would be subject to escalating increases in interest rates of 0.75% to 2.0% and 2.5% to 5.0%, respectively, all of which would be payable and due on the earlier of the completion of a divestiture of its non-core assets or March 31, 2019. On May 30, 2019, October 31, 2019 and January 24, 2020, the Company received covenant waivers for the second, third and fourth quarters of 2019, respectively, and further amended its agreements for the Credit Facilities to revise its financial covenants for these periods to financial targets consistent with the fourth quarter of 2018 and first quarter of 2019, in addition to a further financial covenant based on the Company's cash flow forecasts. In addition, the May 30, 2019 amendment also affected a temporary reduction in the Revolving Facility from $20 million to $18 million and a permanent reduction in the Acquisition Facility from $20 million to $4.8 million.

Management has offset the impact of regulatory changes through a focus on re-engineering the businesses to achieve operational efficiencies through work flow improvements, enhanced labour models, expanding service and product offerings, identifying other revenue generating opportunities and utilization of technology for automating processes. In the event these initiatives, combined with continued organic growth and management of working capital, do not generate sufficient cash flow from operations to meet its obligations as they come due, the Company may need to generate funds from other sources of financing or other strategic alternatives.

All strategic alternatives being considered by the Company will be focused on further deleveraging the balance sheet and maximizing shareholder value. To date, these initiatives have included the divestiture of the Company's retail pharmacies located in Grande Prairie and Medicine Hat, Alberta, the divestiture of its Surgical and Medical Centres business, the divestiture of its Performance Orthotics business, and the issuance of equity instruments and convertible debentures.

In addition, on March 23, 2020, the Company signed a definitive agreement to acquire Remedy's for a total purchase price of up to $44.0 million. In March 2020, the Company also signed binding commitment letters with Crown Capital and Yorkville to advance total facilities of up to $30.0 million and $12.0 million, respectively, to refinance the Company's existing Credit Facilities and finance the Remedy's acquisition.

There can be no assurance that the Company will be successful in achieving the results as set out in its operating plan or generate sufficient cash flow from operations to meet its obligations as they come due throughout 2020, that the Company will complete the execution of future strategic alternatives, that the Company will meet conditions established by its lenders in the amended agreements for the Credit Facilities or the conditions under any newly refinanced facilities.

Cash Flow to Service Debt

The Company is highly leveraged. As at December 31, 2019, the Company had approximately $57.3 million of outstanding indebtedness. The Company currently estimates its debt service for the next 12 months under the Credit Facilities will be approximately $5.8 million, including required principal and interest payments. The Company's substantial indebtedness could have significant adverse consequences on the Company and its business, including: requiring a substantial portion of its cash flows to be dedicated to the payment of principal and interest on its indebtedness, therefore reducing its ability to use cash flows to fund its operations, capital expenditures and potential future business opportunities; making it more difficult for the Company to make payments on its indebtedness, which could result in an event of default under its Credit Facilities, the Convertible Debentures or the Ewing Convertible Debentures; limiting its ability to obtain additional financing; reducing the Company's flexibility in planning for, or reacting to, changes in its operations or business; prohibiting the Company from making strategic acquisitions, introducing new technologies or exploiting business opportunities; placing the Company at a competitive disadvantage as compared to its less-highly-leveraged competitors; and negatively affecting the Company's ability to renew key customer contracts. For additional information on the Company's outstanding long-term debt, see "Liquidity and Capital Resources".

Government Regulation and Funding

The Company's core business is focused on the provision of specialty pharmacy services to seniors. The Company is reliant on prescription drug sales for a significant portion of its sales and profits. Prescription drugs and their sales are subject to numerous federal, provincial, territorial and local laws and regulations. Changes to these laws and regulations, or non-compliance with these laws and regulations, could adversely affect the reputation, operations or financial performance of the Company.

Federal and provincial laws and regulations that establish public drug plans typically regulate prescription drug coverage, patient eligibility, pharmacy reimbursement, drug product eligibility and drug pricing and may also regulate manufacturer allowance funding that is provided to or received by pharmacy or pharmacy suppliers. With respect to pharmacy reimbursement, such laws and regulations typically regulate the allowable drug cost of a prescription drug product, the permitted mark-up on a prescription drug product, the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under the public drug plan, the frequency in which such professional or dispensing fees may be charged, the co-payments that may be charged to a patient, and other clinical billings that pharmacists may be entitled to charge. With respect to drug product eligibility, such laws and regulations typically regulate the requirements for listing the manufacturer's products as a benefit or partial benefit under the applicable governmental drug plan, drug pricing and, in the case of generic prescription drug products, the requirements for designating the product as interchangeable with a branded prescription drug product. In addition, other federal, provincial, territorial and local laws and regulations govern the approval, packaging, labeling, sale, marketing, advertising, handling, storage, distribution, dispensing and disposal of prescription drugs.

Sales of prescription drugs, pharmacy reimbursement and drug prices may be affected by changes to the health care industry, including legislative or other changes that impact patient eligibility, drug product eligibility, the allowable cost of a prescription drug product, the mark-up permitted on a prescription drug product, the amount of professional or dispensing fees paid by third-party payers or the provision or receipt of manufacturer allowances by pharmacy and pharmacy suppliers.

The majority of prescription drug sales are reimbursed or paid by third-party payers, such as governments, insurers or employers. These third-party payers have pursued and continue to pursue measures to manage the costs of their drug plans. Each provincial jurisdiction has implemented legislative and/or other measures directed towards managing pharmacy service costs and controlling increasing drug costs incurred by public drug plans and private payers which impact pharmacy reimbursement levels and the availability of manufacturer allowances. Legislative measures to control drug costs include lowering of generic drug pricing, restricting or prohibiting the provision of manufacturer allowances and placing limitations on private label prescription drug products.

On January 29, 2018, the Pan-Canadian Pharmaceutical Alliance, which represents participating federal, provincial, and territorial public drug plans, announced that it reached a new 5-year agreement with the Canadian Generic Pharmaceutical Association with respect to the pricing of generic drugs in Canada. As of April 1, 2018, the prices of nearly 70 of the most commonly prescribed drugs in Canada were reduced by 25% - 40%, resulting in overall discounts of up to 90% off the price of their brand-name equivalents. These drugs include those used to treat high blood pressure, high cholesterol, and depression, and are collectively used by millions of Canadians.

Furthermore, on February 28, 2018, Alberta Health announced a new funding framework that was entered into with the Alberta Pharmacists' Association that took effect May 17, 2018 and runs until March 31, 2022. Amongst other things, the changes reduced dispensing fees in the Province from $12.30 to $12.15 and placed a limit on the number of frequent dispensing fees. The new funding framework also contemplates an Authorized Adjustment Policy (the "Authorized Adjustment") whereby Alberta Blue Cross, the plan administrator, is authorized to adjust the amount owed to pharmacies to ensure that projected budgeted savings are met. While Alberta Health has indicated that, based on current trends, the Authorized Adjustment may initially be set at zero for its fiscal year beginning April 1, 2020, it reserves the right to revisit this policy.

On April 25, 2019, following the release of the 2019 Ontario provincial budget, the MOH released draft proposed amendments to the regulation under the ODBA amending O. Reg. 201/9. Following certain consultations by the pharmacy associations, the MOH informed long-term care pharmacies in Ontario that it was moving ahead with an amended version of these proposals (the "ODBA Amendments"). Notably, the ODBA Amendments remove the payment of a dispensing fee for drug products supplied for a long-term care home resident by a pharmacy service provider and instead imposing a capitation model where pharmacy service providers would receive a professional fee for all pharmacy services provided to the long-term care home that is based on the number of beds in the home. The fee is $1,500 dollars per bed per year in 2019-2020 and 2020-2021, decreasing to $1,400 dollars in 2021-2022, $1,300 dollars in 2022-2023 and $1,200 dollars in 2023-2024 (with all years above referring to the Government's fiscal year from April 1 to March 31). In addition, the $2 dollar per prescription co-payments for residents of long-term care homes was also removed and long-term care pharmacies are now precluded from billing other forms of clinical billings, such as MedsChecks. In addition, the MOH also introduced other amendments to the ODBA that may affect the Company's non-long-term care operations in Ontario. Under these other proposed amendments, the MOH implemented certain adjustments whereby it deducts a percentage from the sum of the dispensing fee and mark-up for all drug claims depending on the price of the drug, with a reconciliation adjustment in the event that the MOH achieves its desired savings. The Company has taken, and continues to take a number of actions to offset the impact of the ODBA Amendments. After considering these actions, the Company estimates the ODBA Amendments to have an annualized net impact to Adjusted EBITDA of $1.5 million in 2020. These changes, as well as other ongoing changes impacting pharmacy reimbursement programs, prescription drug pricing and manufacturer allowance funding, legislative or otherwise, are expected to continue to put downward pressure on prescription drug sales and payments relating thereto. These changes may have a material adverse impact on the Company's business, sales and profitability.

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 (including COVID-19), either within a facility or within the communities in which the Company operates. While pharmacies are an essential service and expected to continue to operate during any epidemic or pandemic, there is the potential that any epidemic or pandemic may cause disruptions in supply chains that could threaten the ability of the Company to procure medications and personal protective equipment in a timely manner. Likewise, there is potential that a pandemic such as COVID-19 could force the temporary closure of a pharmacy site to the extent that a staff member becomes ill and the pharmacy is required to be sanitized, cause labour shortages or staffing issues to the extent that employees become ill or are otherwise unable to come to work, and limit the ability of clinical pharmacists to visit residents in seniors homes. While Centric has not recognized any material impact on its business as a result of the COVID-19 pandemic, this could change quickly.

The Company has developed protocols and procedures should they be required to deal with any potential epidemics and pandemics, and has put these protocols and procedures in place to address the current COVID-19 pandemic. 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.

The COVID-19 pandemic could result in a widespread health crisis that could adversely affect the economies and financial markets of many regions and countries. While the COVID-19 outbreak may still be in its early stages, international stock markets have begun to reflect the uncertainty associated with the potential economic impact of the outbreak and the significant declines in the TSX Composite Index and other major indices around the world in the latter part of February and in March 2020 has largely been attributed to the effects of COVID-19. There can be no assurance that a disruption in financial markets, regional economies and the world economy would not negatively affect Centric Health's access to capital or the financial performance of the Company.

Reliance on Contracts with Key Customers

Revenues attributable to the Company's businesses are dependent upon certain significant customers. There can be no assurance that the Company's contracts with its key customers will be renewed or that the Company's services will continue to be utilized by those key customers. There could be material adverse effects on the businesses of the Company if a key customer does not renew its contracts with the Company, or elects to terminate its contracts with the Company in favour of another service provider. Further, there is no assurance that any new agreement or renewal entered into by the Company with its customers will have terms similar to those contained in current arrangements, and the failure to obtain those terms could have an adverse effect on the Company's businesses.

Supply Chain

The Company sources the majority of its pharmaceutical products from a single supplier. Therefore, the Company's distribution operations and supply chain are exposed to potential disruptions, including those caused by an epidemic or pandemic, which could affect the cost and timely delivery of pharmaceutical products. While the Company has made provision for any disruption of service, any disruption, even if temporary, could negatively affect the Company's sales and financial performance.

Litigation and Insurance Cover

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. However, to the extent that management's assessment of the Company's exposure in respect of such matters is either incorrect or changes as a result of any determinations made by judges or other finders of fact, or requires any significant one-time payments of cash, the Company's exposure could exceed current expectations, which could have a material adverse effect on its 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 through litigation 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. The Company also completes divestitures of various sizes and the Company may from time-to-time be a party to a dispute relating to the transaction, which could result in liabilities and/or contingencies to the Company. Currently, the Company is undergoing a confidential arbitration with the vendors of one of the previous acquisitions it has made in relation to the non-payment of an earn-out. The outcome of that arbitration is uncertain, but if decided against the Company, could have a material adverse effect on the Company's financial position and cash flows.

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. The Company 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 healthcare services provided by the Company, general liability, error and omissions claims and malpractice claims, amongst other types of claims, may be commenced against the Company. Although the Company carries insurance in amounts that management believes to be customary, 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.

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, who have no pre-emptive rights in connection with such issuances. In addition, the Company has, and may continue in the future, to issue common shares or warrants in connection with acquisitions and customer or supplier arrangements to better align the interests of certain stakeholders with that of the Company. In the event that the Company proposes to issue additional common shares or securities convertible into common shares, certain significant shareholders of the Company have pre-emptive rights that enable them to subscribe for securities of the Company in order to maintain their pro rata ownership, which could further increase dilution. Any further issuance of shares may dilute the interests of existing shareholders.

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 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. Competitors with greater capital and/or experience may enter the market and outcompete Centric Health. There can be no assurance that Centric Health will be able to compete effectively for business with existing competitors.

Increased Costs of a Change of Control

Certain provisions of the Ewing Convertible Debentures issued to Ewing Morris could make it more difficult or more expensive for a third party to acquire the Company. For example, if a change of control were to occur or the Company were to sell all or substantially all of its assets, holders of the Ewing Convertible Debentures have the right to redeem their Ewing Convertible Debentures at certain premiums to their liquidation preference. In addition, the holder of the Ewing Convertible Debentures has the right to force an acquirer of the Company to maintain the Ewing Convertible Debentures in the capital structure of the resulting entity in certain circumstances. These features of the Ewing Convertible Debentures could increase the cost of acquiring the Company or otherwise discourage a third party from acquiring it.

Acquisitions and Integration

The Company has and continues to expect to make acquisitions of various sizes that fit particular niches within Centric Health's overall corporate strategy, including the recently announced Remedy's acquisition. 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 and the upfront capital that may be required to realize any synergies 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. 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.

Credit Risk

The Company is exposed to credit risk to the extent that its clients become unable to meet their payment obligations. The Company's exposure to concentrations of credit risk is limited. Accounts receivable are from the workers compensation boards, government agencies, employers, insurance companies and patients.

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.

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 the Company depends on employing or contracting, as the case may be, qualified healthcare professionals. 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.

Accounting, Tax and Legal Rules and Laws

Any changes to accounting, legal 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. Further, the Company may take positions with respect to the interpretation of accounting, tax and legal rules and laws that may be different than the interpretation taken by applicable regulatory authorities. Although the Company believes that its provision for its legal and tax liabilities is reasonable, determining this provision requires significant judgment and the ultimate outcome may differ from the amounts recorded in its financial statements and may materially affect its financial results in the period or periods for which such determination is made. 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.

Significant Shareholders

There are significant shareholders of the Company that may be long-term holders of the common shares in the Company. This has the effect of reducing the public float for the common shares, which may, in turn, impact the liquidity for the shares. In addition, relatively low liquidity may adversely affect the price at which the common shares of the Company trade on the listed market. Significant shareholders may also be able to exercise significant influence over any matter requiring shareholder approval in the future.

Ethical Business Conduct

A violation of law, the breach of Company policies or unethical behaviour may impact 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.

Volatile Market Price for Securities of the Company

The market price for securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company’s control, including:

- actual or anticipated fluctuations in the Company’s quarterly results of operations;
- changes in estimates of future results of operations by the Company or securities research analysts;

- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- addition or departure of the Company's executive officers and other key personnel;
- release or other transfer restrictions on outstanding securities;
- sales or perceived sales of additional securities;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and,
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the securities of the Company may decline even if the operating results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Company's securities by those institutions, which could adversely affect the trading price of the Company's securities. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility continue, the Company's operations and the trading price of the Company's securities may be adversely affected.

The Company Needs to Comply with Financial Reporting and Other Requirements as a Public Company

The Company is subject to reporting and other obligations under applicable Canadian securities laws and TSX rules, including National Instrument 52-109. These reporting and other obligations place significant demands on the Company's management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause the Company to fail to meet its reporting obligations or result in material misstatements in its consolidated financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed, which could also cause investors to lose confidence in the Company's reported financial information, which could result in a lower trading price of its securities.

Management does not expect that Company's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Future Sales of the Company's Securities by Directors and Executive Officers

Subject to compliance with applicable securities laws, directors and executive officers and their affiliates may sell some or all of their securities in the Company in the future. No prediction can be made as to the effect, if any, such future sales will have on the market price of the Company's securities prevailing from time to time. However, the future sale of a substantial number of securities by the Company's directors and executive officers and their controlled entities, or the perception that such sales could occur, could adversely affect prevailing market prices for the Company's securities.

Directors and Officers May Have Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies, while other directors serve as nominees of certain significant shareholders of the Company, including those who hold subordinated indebtedness of the Company and who's interests may not be entirely aligned with those of common shareholders. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company are being made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.

Third Party Service Providers

The Company is reliant upon third-party service providers in respect of certain of its operations. It is possible that negative events affecting these third-party service providers, or any negligence or failure to perform the services as contemplated, could, in turn, negatively impact the Company. In order to minimize operating risks, the Company actively monitors and manages its relationships with its third-party service providers.

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, finance costs, net, 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 average 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.

	For the three month periods ended December 31,		**For the years ended December 31,**	
	2019	2018	**2019**	2018
(thousands of Canadian Dollars)	**$**	$	**$**	$
Net loss from continuing operations	**(35,275)**	(8,766)	**(45,677)**	(35,387)
Depreciation and amortization	**2,307**	1,914	**9,187**	7,285
Finance costs, net	**18,353**	2,608	**27,370**	10,705
Amortization of lease incentives	**—**	(11)	**—**	19
Income tax expense (recovery)	**6,351**	883	**6,096**	(4,222)
EBITDA from operations	**(8,264)**	(3,372)	**(3,024)**	(21,600)
Transaction and restructuring costs	**989**	1,662	**3,163**	4,377
Change in fair value of contingent consideration liability	**(42)**	341	**1,119**	922
Goodwill impairment	**8,000**	—	**8,000**	17,000
Share-based compensation expense	**1,053**	1,856	**2,298**	3,003
Change in fair value of derivative financial instruments	**734**	105	**(2,176)**	(45)
Loss (gain) on disposal of property and equipment	**—**	12	**(2)**	14
Adjusted EBITDA from continuing operations	**2,470**	604	**9,378**	3,671
Adjusted EBITDA from discontinued operations	**843**	1,340	**3,313**	7,055
Adjusted EBITDA	**3,313**	1,944	**12,691**	10,726
Weighted average number of shares - basic and diluted	**243,043**	204,993	**219,537**	203,603
Adjusted EBITDA per share from continuing operations- basic and diluted	**$0.01**	$—	**$0.04**	$0.02
Adjusted EBITDA per share - basic and diluted	**$0.01**	$0.01	**$0.06**	$0.05

Proposed Transactions

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

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Centric Health
Your Care. Our Focus.

Consolidated Financial Statements
For the years ended December 31, 2019 and 2018

(in thousands of Canadian dollars)

Dated: March 26, 2020

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Notes to the Consolidated Financial Statements:

Independent auditor's report

To the Shareholders of Centric Health Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Centric Health Corporation and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of changes in equity (deficit) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Salvatore Bianco.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 26, 2020

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	December 31, 2019 $	December 31, 2018 (Revised - Note 22) $
Assets		
Current assets		
Cash and cash equivalents	**61**	—
Restricted cash (note 11)	—	1,400
Trade and other receivables (note 4)	**12,550**	11,590
Income taxes receivable	—	363
Inventories (note 5)	**5,243**	4,749
Prepaid expenses and other current assets	**897**	1,200
Assets of disposal groups classified as held for sale (note 21)	**358**	24,303
	19,109	43,605
Non-current assets		
Property and equipment (note 6)	**20,048**	11,857
Derivative financial instrument (note 13)	—	325
Investments (note 13)	**1,950**	1,950
Goodwill and intangible assets (note 7)	**45,976**	59,895
Deferred income tax assets (note 8)	—	6,090
Total assets	**87,083**	123,722
Liabilities		
Current liabilities		
Trade payables and other liabilities (note 9)	**18,563**	15,728
Income taxes payable	**53**	—
Current portion of borrowings (note 10)	**44,270**	89,098
Current portion of contingent consideration (note 3)	**3,413**	3,480
Current portion of finance lease liabilities (note 13)	**1,364**	92
Liabilities of disposal groups classified as held for sale (note 21)	**358**	4,185
	68,021	112,583
Non-current liabilities		
Borrowings (note 10)	**12,995**	151
Other deferred amounts (note 11)	**15,972**	19,068
Contingent consideration (note 3)	**2,452**	1,659
Deferred income tax liabilities (note 8)	**18**	29
Deferred lease incentives	—	265
Finance lease liabilities (note 13)	**7,586**	44
Total liabilities	**107,044**	133,799
Equity (Deficit)		
Share capital (note 12)	**141,109**	132,107
Warrants	**1,734**	757
Contributed surplus	**30,105**	29,517
Equity component of Convertible Debentures (note 10)	**9,029**	—
Deficit	**(201,938)**	(172,646)
Deficit attributable to shareholders of Centric Health Corporation	**(19,961)**	(10,265)
Non-controlling interests (note 21)	—	188
Total deficit	**(19,961)**	(10,077)
Total liabilities and deficit	**87,083**	123,722

The accompanying notes are an integral part of these consolidated financial statements, including Note 1 which details the basis of presentation

Approved by the Board

"Kevin Dalton"
Kevin Dalton, Director

"Yazdi Bharucha"
Yazdi Bharucha, Director

Consolidated Statements of Income and Comprehensive Income

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

	For the years ended December 31,	
	2019	2018 (Note 21, 22)
	$	$
Revenue	**124,626**	118,919
Cost of healthcare services and supplies	**85,244**	84,452
General and administrative expenses (note 15)	**41,487**	41,117
Transaction, restructuring and other costs (note 16)	**3,163**	4,377
Loss from operations	**(5,268)**	(11,027)
Finance costs, net (note 17)	**27,370**	10,705
Change in fair value of derivative financial instruments (note 13)	**(2,176)**	(45)
Change in fair value of contingent consideration liability (note 3)	**1,119**	922
Goodwill impairment (note 7)	**8,000**	17,000
Loss before income taxes	**(39,581)**	(39,609)
Income tax expense (recovery) (note 8)	**6,096**	(4,222)
Net loss from continuing operations	**(45,677)**	(35,387)
Income from discontinued operations (note 21)	**16,370**	1,870
Net loss for the year	**(29,307)**	(33,517)
Net loss from continuing operations attributable to:		
Shareholders of Centric Health Corporation	**(45,677)**	(35,387)
Net income (loss) from discontinued operations attributable to:		
Shareholders of Centric Health Corporation	**16,385**	1,758
Non-controlling interests (note 21)	**(15)**	112
Basic and diluted earnings (loss) per common share attributable to shareholders of Centric Health Corporation:		
From continuing operations	**($0.21)**	($0.17)
From discontinued operations	**$0.07**	$0.01
From loss for the year	**($0.13)**	($0.17)
Weighted average number of common shares outstanding (in thousands) (note 12)		
Basic and diluted	**219,537**	203,603

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

Consolidated Statements of Changes in Equity (Deficit)

(in thousands of Canadian dollars, except number of common shares)

	Number of common shares[1]	Share capital $	Warrants $	Contributed surplus $	Equity component of Convertible Debentures (Note 10) $	Deficit $	Equity (Deficit) attributable to the shareholders of Centric Health Corporation $	Non-controlling interest (Note 21) $	Total $
Balance at December 31, 2017	**201,468,731**	**128,886**	**805**	**29,003**	**—**	**(139,017)**	**19,677**	**455**	**20,132**
Issuance of common shares (note 12)	5,225,616	1,522	—	—	—	—	1,522	—	1,522
RSUs and warrants exercised (note 12)	2,427,343	1,234	(152)	(622)	—	—	460	—	460
Shares released from escrow or treasury and warrants issued related to contingent consideration (note 3, 12)	833,332	245	—	—	—	—	245	—	245
Issuance of warrants (note 12)	—	—	104	—	—	—	104	—	104
Deferred compensation expense	—	—	—	1,356	—	—	1,356	—	1,356
Deferred consideration for acquisitions (note 3)	400,000	220	—	(220)	—	—	—	—	—
Distributions to non-controlling interests	—	—	—	—	—	—	—	(379)	(379)
Net income (loss) for the year	—	—	—	—	—	(33,629)	(33,629)	112	(33,517)
Balance at December 31, 2018	**210,355,022**	**132,107**	**757**	**29,517**	**—**	**(172,646)**	**(10,265)**	**188**	**(10,077)**
Balance at December 31, 2018	**210,355,022**	**132,107**	**757**	**29,517**	**—**	**(172,646)**	**(10,265)**	**188**	**(10,077)**
Issuance of common shares (note 12)	70,507,952	7,951	—	—	—	—	7,951	—	7,951
Equity component of Convertible Debentures (note 10)	—	—	—	—	9,029	—	9,029	—	9,029
RSUs exercised (note 12)	2,269,928	931	—	(931)	—	—	—	—	—
Shares released from escrow or treasury and warrants issued related to contingent consideration (note 3, 12)	700,000	106	—	—	—	—	106	—	106
Issuance of warrants (note 12)	—	—	977	—	—	—	977	—	977
Deferred compensation expense	—	—	—	1,519	—	—	1,519	—	1,519
Deferred consideration for acquisitions (note 3)	90,909	14	—	—	—	—	14	—	14
Distributions to non-controlling interests	—	—	—	—	—	—	—	(173)	(173)
Net loss for the year	—	—	—	—	—	(29,292)	(29,292)	(15)	(29,307)
Balance at December 31, 2019	**283,923,811**	**141,109**	**1,734**	**30,105**	**9,029**	**(201,938)**	**(19,961)**	**—**	**(19,961)**

[1] Excludes 4,054,232 of shares held in escrow and restricted shares as at December 31, 2019 (note 12).

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	For the years ended December 31,	
	2019	2018
Cash provided by (used in):	**$**	$
Operating activities		
Net loss for the year	**(29,307)**	(33,517)
Adjustments for:		
Finance costs, net (note 10, 17)	**28,163**	10,705
Change in fair value of derivative financial instruments (note 13)	**(2,176)**	(45)
Loss on disposal of property, equipment and intangible assets	**7**	14
Depreciation of property and equipment (note 6)	**4,179**	3,523
Amortization of finite life intangible assets (note 7)	**5,146**	6,123
Amortization of lease incentives and lease inducements	**—**	329
Income taxes received	**104**	32
Income tax expense (recovery)	**6,982**	(3,768)
Share-based compensation expense (note 15)	**2,298**	3,003
Impairment (note 7, 21)	**9,742**	19,000
Change in the fair value of contingent consideration liability (note 3)	**1,119**	922
Gain on sale of business (note 21)	**(16,664)**	(17)
Supply agreement arrangements, net of amortization (note 11)	**(1,716)**	(1,720)
Cannabis agreements, net of amortization (note 11)	**(1,380)**	3,540
Net change in non-cash working capital items (note 19)	**(142)**	(1,532)
Cash provided by operating activities	**6,355**	6,592
Investing activities		
Proceeds on disposal of property, equipment and intangible assets	**37**	44
Acquisition of businesses	**—**	(490)
Purchase of property and equipment (note 6)	**(3,087)**	(2,961)
Purchase of intangible assets (note 7)	**(412)**	(1,489)
Payment of contingent consideration (note 3)	**(735)**	(597)
Proceeds from sale of businesses (note 21)	**38,024**	166
Investments (note 13)	**—**	(950)
Cash provided by (used in) investing activities	**33,827**	(6,277)
Financing activities		
Net proceeds from March 2019 Private Placement	**11,344**	—
Net proceeds from Convertible Debentures	**24,793**	—
Restricted cash released from restrictions (note 11)	**1,400**	1,600
Interest paid	**(8,473)**	(7,093)
Repayment of Term Facility (note 10)	**(53,300)**	(6,700)
Withdrawal from (repayment of) Revolving Facility and Acquisition Facility (note 10)	**(19,495)**	11,809
Net proceeds from (repayment of) finance loans (note 10)	**(57)**	206
Repayment of finance leases	**(3,703)**	(218)
Distributions to non-controlling interests	**(17)**	(379)
Net proceeds from common shares issued	**7,387**	—
Proceeds from warrants exercised	**—**	460
Cash used in financing activities	**(40,121)**	(315)
Increase in cash and cash equivalents	**61**	—
Cash and cash equivalents, beginning of year	**—**	—
Cash and cash equivalents, end of year	**61**	—

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

1. Basis of Presentation and Going Concern

Centric Health Corporation, together with its subsidiaries (collectively, "Centric Health" or the "Company"), 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 address of the Company's registered office is 20 Eglinton Avenue West, Suite 2100, Toronto, Ontario.

The Company's principal business is providing specialty pharmacy services and solutions to seniors in Canada.

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

In 2018, the Company was subject to two significant regulatory changes: (i) the pan-Canadian generic pharmaceuticals plan; and (ii) The Government of Alberta funding framework for Pharmacists. These two regulatory changes have had a significant impact on operations and financial performance of the Company. During the prior year, management initiated a plan to offset the impact of these regulatory changes within Specialty Pharmacy, focused on re-engineering the businesses to achieve operational efficiencies through work flow improvements, enhanced labour models, expanding service and product offerings, identifying other revenue generating opportunities and utilization of technology for automating processes.

In addition, during the year ended December 31, 2019, the Ontario Ministry of Health informed long-term care pharmacy operators in Ontario that they were proceeding with certain proposed amendments to the Ontario Drug Benefit Act ("ODBA"), effective January 1, 2020, which are expected to further impact profitability and leverage (note 7).

As a result of these regulatory changes and their impact on the financial performance of the Company, for the years ended December 31, 2019 and 2018, the Company completed a series of amendments to its agreements for its Credit Facilities to revise the Company's financial covenants and receive covenant waivers (note 10).

The Company committed to executing on its operating plans and further reduce its leverage and, as such, the Company has pursued several strategic opportunities, including the divestiture of existing businesses and other non-core assets, the recapitalization of the balance sheet through the issuance of additional equity, convertible debentures or subordinated debt and strategic acquisitions within its core business. All strategic alternatives being considered by the Company were and continue to be focused on further deleveraging the balance sheet and maximizing shareholder value.

As part of the execution of this strategy:

- During the years ended December 31 2019 and 2018, the Company divested of three retail pharmacy operations in Medicine Hat, AB, Grande Prairie, AB and Richmond, BC for total proceeds of $4,579 (note 21).
- On March 12, 2019, the Company issued 30,000,000 convertible preferred shares to funds and accounts managed by Ewing Morris & Co. Investment Partners Ltd. ("Ewing Morris") in exchange for $12,000 in gross proceeds (note 10).
- On November 22, 2019, the Company closed a private placement of its common shares and convertible debentures to Yorkville Asset Management Inc. for and on behalf of certain managed funds ("Yorkville") and certain shareholders and directors of the Company for total gross proceeds of $35,240 (the "November 2019 Private Placement"). Pursuant to the November 2019 Private Placement, the Company issued 64,500,000 common shares of the Company at $0.12 per share for gross proceeds of $7,740 (note 12) and 8.25% unsecured debentures convertible into common shares of the Company in the aggregate principal amount of $27,500 (the "Convertible Debentures") (note 10). In addition, the Company exchanged the $12,540 of convertible preferred shares of the Company held by Ewing Morris for an equivalent amount of 8% unsecured debentures convertible into common shares of the Company (the "Ewing Convertible Debentures") (note 10).
- On November 26, 2019, the Company completed the sale of its Surgical and Medical Centres business for gross proceeds of $35,000 (note 21).

1. Basis of Presentation and Going Concern - continued

- On January 1, 2020, the Company completed the divestiture of its ownership interest in the Performance Orthotics business in Ontario (note 21).
- On March 23, 2020, the Company signed a definitive agreement to acquire the Remedy'sRx Specialty Pharmacy business ("Remedy's") for a total purchase price of up to $44,000. The purchase price is comprised of (i) $8,000 of cash consideration, (ii) $23,000 of common shares of the Company, issued at an implied issue price of $0.184 per common share, (iii) $4,000 of deferred consideration due twelve months following closing, (iv) $4,000 of consideration payable under a vendor take-back note due 18 months following closing and (v) earn-out consideration of up to $5,000 if certain performance targets are achieved over the two years following closing.
- In March 2020, the Company entered into binding commitment letters with Crown Capital Partners Inc. ("Crown Capital") and Yorkville to advance facilities to refinance the Credit Facilities and finance the Remedy's acquisition.
- Crown Capital will advance credit facilities of up to $30,000 in three tranches: (i) an initial tranche of $22,000, which will be used to repay the Company's outstanding Credit Facilities, (ii) a second tranche of $5,000, which will be used by the Company to fund a portion of the cash consideration for the Remedy's acquisition, and (iii) a third tranche of $3,000 upon the Company reaching certain financial milestones (the "Crown Capital Facilities"). Interest on the Crown Capital Facilities will accrue at a rate of 10% per annum and the Crown Capital Facilities will be repayable five years from closing, subject to certain prepayment rights. In addition, the Company expects to issue 7,200,000 warrants to Crown Capital, with each warrant entitling the holder thereof to acquire one common share at an exercise price of $0.25 per common share for a period of five years.
- Yorkville will advance a subordinated loan to the Company of up to $12,000 (the "Subordinated Loan") in two tranches: (i) an initial tranche of $6,000, which is expected to close contemporaneously with the first tranche of the Crown Capital Facilities, and (ii) a second tranche of $2,000 (which may be increased by an additional $4,000 at Yorkville's option), which is expected to close contemporaneously with the Remedy's acquisition. The Subordinated Loan will rank in priority to the Company's existing Convertible Debentures and Ewing Convertible Debentures, but subordinate to the Crown Capital Facilities. Interest on the Subordinated Loan will accrue at a rate of 12% per annum. The Subordinated Loan will mature 24 months from closing, subject to certain prepayment rights of the Company or the mutual agreement of the Company and Yorkville to extend the maturity date.

As a result of these initiatives, during the year ended December 31, 2019, the Company repaid $67,578 of its Credit Facilities, including the outstanding Term Facility and Acquisition Facility balances.

There can be no assurance that the Company will complete the execution of these strategic alternatives, including the closing of the Remedy's acquisition, Crown Capital Facilities or Subordinated Loan or that the Company will meet conditions established by its lenders in the credit agreements. These circumstances may cast significant doubt as to the Company's ability to continue as a going concern, and the ultimate appropriateness of the use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern materially affects the measurement of many amounts related to the Company in the consolidated financial statements. These measurements could be materially different than currently presented.

In addition, subsequent to the year ended December 31, 2019, the COVID-19 pandemic began, causing significant financial market disruption and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak.

While pharmacies are an essential service and expected to continue to operate during any epidemic or pandemic, there is the potential that there may be disruptions in supply chains that could threaten the ability of the Company to procure medications and personal protective equipment in a timely manner. Likewise, there is potential that a pandemic such as COVID-19 could force the temporary closure of a pharmacy site to the extent that a staff member becomes ill and the pharmacy is required to be sanitized, cause labour shortages or staffing issues to the extent that employees become ill or are otherwise unable to come to work, and limit the ability of clinical pharmacists to visit residents in seniors homes.

1. Basis of Presentation and Going Concern - continued

The Company has developed protocols and procedures should they be required to deal with any potential epidemics and pandemics, and has put these protocols and procedures in place to address the current COVID-19 pandemic. Despite appropriate steps being taken to mitigate such risks, and the fact that the Company's business is an essential service and its largest payors are the provincial governments, the extent of the effect of the COVID-19 pandemic on the Company's activities is uncertain. There can be no assurance that these policies and procedures and the nature of the Company's business will ensure that the Company will not be adversely affected.

2. Significant Accounting Policies

Basis of preparation

Statement of Compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations as issued by the International Accounting Standards Board ("IASB") (together, "IFRS") that are effective for the year ended December 31, 2019. The Company has consistently applied the same accounting policies throughout all years presented as if these policies had always been in effect, unless otherwise noted.

Historical Cost Convention
These 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 consolidated financial statements are described below.

These consolidated financial statements were approved by the Board of Directors (the "Board") on March 26, 2020.

New standards, amendments and interpretations adopted by the Company

The Company has adopted IFRS 16, *Leases* ("IFRS 16") beginning January 1, 2019. A number of other amendments are also effective from January 1, 2019 but they do not have a material effect on the Company’s financial statements.

IFRS 16

The Company has adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated, it is presented, as previously reported, under IAS 17, *Leases* ("IAS 17") and related interpretations.

In its capacity as a lessee, the Company previously classified leases as operating or finance leases. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, for most of its leases previously classified as operating leases, the Company has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability adjusted by the amount of any prepaid or accrued lease liability recognized in the consolidated statement of financial position immediately before the date of initial application. Right-of-use assets of $8,767 and lease liabilities of $9,023 were recorded as at January 1, 2019, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 10.5%.

(in thousands of Canadian dollars, unless otherwise noted)

2. Significant Accounting Policies - continued

The Company has elected to apply the following practical expedients on transition to IFRS 16:

a) Applied a single discount rate to a portfolio of leases with similar characteristics;
b) Applied the recognition exemption permitted for short-term leases (i.e., less than 12 months). The lease payments associated with these leases are recognized as an expense in the consolidated statement of income and comprehensive income in operating expenses on a straight-line basis over the remaining lease term; and
c) Applied the practical expedient whereby the Company is not required to reassess whether a contract is, or contains, a lease on the date of initial application, as previously assessed under IAS 17 and IFRIC 4, *Determining whether an Arrangement Contains Lease*.

The following table provides a reconciliation of the Company's operating lease obligations at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease liability recognized on the initial application of IFRS 16 at January 1, 2019.

Continuing operations	**$**
Operating lease commitments at December 31, 2018	4,427
Operating lease commitments discounted using the incremental borrowing rate at January 1, 2019	4,047
Finance lease liabilities at December 31, 2018	136
Recognition exemption for short-term leases	(315)
Lease renewal options reasonably expected to be exercised	5,291
Lease liability recognized at January 1, 2019	**9,159**

The following table reconciles the impact of IFRS 16 on the previously reported consolidated statement of financial position at December 31, 2018:

	As reported at December 31, 2018 $	**Impact from the adoption of IFRS 16 $**	**As adjusted at January 1, 2019 $**
Property and equipment	11,857	8,767	20,624
Current portion of finance lease liabilities	92	1,060	1,152
Non-current portion of finance lease liabilities	44	7,963	8,007
Deferred lease incentive	265	(265)	—
Trade payables and other liabilities	15,495	9	15,504
Assets of disposal groups classified as held for sale	24,303	7,937	32,240
Liabilities of disposal groups classified as held for sale	4,185	7,937	12,122

New standards, amendments and interpretations not yet adopted by the Company

A number of new standards, amendments and interpretations to standards are effective for annual periods beginning on or after January 1, 2020 and have not been early adopted by the Company. Those which may be relevant to the Company in future reporting periods and on foreseeable future transactions are set out below:

Definition of Material – Amendments to IAS 1 and IAS 8: The IASB has made amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1") and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* to use a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, and clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

2. Significant Accounting Policies - continued

Definition of a Business – Amendments to IFRS 3: The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions as opposed to business combinations.

The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2020.

Consolidation

These 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, 2019 and 2018 or until these subsidiaries are deconsolidated, which occurs from the date that control over them ceases. The Company also consolidates the financial results of Performance Orthotics Inc. ("Performance Orthotics"), which the Company controls with an ownership of 75% of the outstanding shares, and SmartShape Weight Loss Centre ("SmartShape"), which the Company controlled with an ownership of 75% of the outstanding shares up to November 26, 2019.

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 are deconsolidated from the date control ceases. Intercompany transactions, balances and unrealized gains/losses on transactions between group companies are eliminated.

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

Non-controlling interests in the earnings and equity of subsidiaries are shown separately in the consolidated statements of financial position, statements of income and comprehensive income and statements of changes in equity, respectively.

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 and comprehensive income.

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 components of contingent consideration recognized as a financial liability at each subsequent reporting date and on settlement. Contingent consideration that will be settled by delivering a fixed number of common shares is classified as equity and not revalued at each subsequent reporting date. The purchase price of most acquisitions is subject to the performance of the businesses being acquired. Any contingent shares are either issued in escrow and subsequently released to the vendor, or will be issued at a later date, and can vary based on the business being acquired achieving predetermined performance targets over a specified period.

2. Significant Accounting Policies - continued

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 or at a premium to the Company's share price at the date of closing of the transaction. When the number of shares and warrants to be issued varies depending on the level of performance achieved, the fair value of the contingent consideration to be settled in shares or warrants is also recorded as a financial liability irrespective of the fact that this obligation 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, is based on the acquired businesses achieving predetermined performance targets and 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 and the probability of achieving the performance 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.

Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographic areas of operations; or is a subsidiary acquired exclusively with a view to resale. Classification as discontinued operations occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale or distribution. When an operation is classified as a discontinued operation, the comparative consolidated statements of income and comprehensive income are represented as if the operation had been discontinued from the start of the comparative year. The Company's discontinued operations are excluded from the results of continuing operations and are presented as a single amount net of tax as income (loss) from discontinued operations in the consolidated statements of income and comprehensive income. The Company has made the accounting policy choice to present details of cash flows from discontinued operations in the notes to the consolidated financial statements.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer ("CEO"). Since January 1, 2019, the Company has one reportable operating segment, which consists of the Company-owned and operated specialty pharmacy business. This segment is comprised of several operating segments that are aggregated due to similar economic characteristics, customers and nature of products. The Company's CODM evaluates segment performance on the basis of consolidated specialty pharmacy results, as reported to internal management, on a periodic basis.

Foreign currency translation

Balances included in the 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.

2. Significant Accounting Policies - continued

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 pay cash flows on 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:

Non-derivative financial assets and liabilities measured at amortized cost
Non-derivative financial assets that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, that are held with the intention of collecting contractual cash flows, are recorded at amortized cost. The Company’s non-derivative financial assets are comprised of cash and cash equivalents and trade and other receivables, and are included in current assets when due in less than one year. Non-derivative financial assets are initially recognized at the amount expected to be received less, when material, a discount to reduce trade and other receivables to fair value. Subsequently, trade and other receivables are measured at amortized cost using the effective interest rate method, less any allowance for expected credit losses ("ECLs").

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. For trade and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Non-derivative financial liabilities are measured at amortized cost using the effective interest rate method, unless they are required to be measured at fair value through profit and loss ("FVTPL"), or the Company has opted to measure them at FVTPL. Non-derivative financial liabilities at amortized cost include trade payables and other liabilities, finance lease liabilities and borrowings. These non-derivative financial liabilities are initially recognized at fair value, net of any transaction costs incurred, and subsequently at amortized cost, using the effective interest rate method.

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for greater than twelve months.

Financial assets and liabilities measured at FVTPL
Financial assets and liabilities measured at FVTPL are assets and liabilities which do not qualify as financial assets and financial liabilities at amortized cost or at fair value through other comprehensive income. Derivative financial instruments are recorded at FVTPL unless they are designated as hedges. The Company's financial assets recorded at FVTPL include derivative financial instruments and investments. The Company’s financial liabilities recorded at FVTPL include contingent consideration liabilities and embedded derivatives within convertible borrowings. Assets and liabilities in this category are classified as current assets and liabilities if they are expected to be settled within twelve months, otherwise, they are classified as non-current assets or non-current liabilities.

2. Significant Accounting Policies - continued

The Company previously held derivative financial instruments to mitigate its interest rate risk exposures. Additionally, embedded derivatives are separated from the host contract and are accounted for separately if certain criteria are met. Derivatives are recognized initially at FVTPL; 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 profit 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.

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 11.

Trade and other receivables

Trade and other receivables are amounts due for goods sold and services rendered in the ordinary course of business. Trade and other receivables also include accrued receivables, which are amounts for services rendered and not yet invoiced or billed to customers.

Inventories

Inventories consist of pharmaceutical products and materials used in the provision of healthcare services 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 cost recoverability.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount or are 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.

2. Significant Accounting Policies - continued

Repairs and maintenance costs for day-to-day servicing are charged to the consolidated statement of income and comprehensive income during the period in which they are incurred. If the replacement of a part of an item of property and equipment meets the recognition criteria, then the carrying value of the part of such an item is included as property and equipment.

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

Office furniture, fixtures and equipment	5 - 10 years straight-line
Computer equipment	30% declining balance
Medical equipment	5 years straight-line
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.

Leases

Leases for the year ended December 31, 2019

The Company leases assets including properties, equipment and vehicles.

At inception of the arrangement, the Company assesses whether a contract is or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in return for consideration. The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

2. Significant Accounting Policies - continued

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property and equipment' in the consolidated statement of financial position.

Leases for the year ended December 31, 2018

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 licences, computer software, contracts, customer and physician relationships, trademarks and non-compete arrangements with a finite useful life. These assets are capitalized and amortized on a straight-line basis in the consolidated statement of income and comprehensive income as follows:

Licences	Term of the licence
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

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

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

Goodwill is allocated to cash generating units ("CGU"), or a 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 7.

2. Significant Accounting Policies - continued

Indefinite life intangible assets
As at December 31, 2019 and 2018, the Company has an indefinite life intangible asset in relation to its pharmacy licences. This asset is carried at cost less accumulated impairment losses. The Company assesses whether there has been an impairment in the carrying amount of the indefinite life intangible asset at least annually or whenever an indicator of impairment exists. Impairment losses can be reversed.

As at December 31, 2018, the Company had an indefinite life intangible asset in relation to its hospital licence, which allowed the Don Mills Surgical Unit ("DMSU") to privately operate a hospital in the Province of Ontario. This asset was carried at cost less accumulated impairment losses. The Company assessed whether there had been an impairment in the carrying amount of the indefinite life intangible asset at least annually or whenever an indicator of impairment existed. Impairment losses can be reversed.

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 June 30. Other long-term tangible and intangible assets and goodwill 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 and comprehensive 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.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Company performs evaluations each reporting period to identify potential obligations.

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 taxes 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.

2. Significant Accounting Policies - continued

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

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

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.

Pharmacy - Sale of Prescription Drugs and Rendering of Pharmacy Services
Revenue is recognized at the point in time in which the prescription drugs are delivered to the customer as the performance obligation related to the sale of prescription drugs is satisfied at that time, with the customer gaining control of the goods.

Revenue related to the rendering of pharmacy services is recognized at the point in time in which the services are rendered. Pharmacy services represent a distinct service from the sale of prescription drugs, with a separate transaction price.

For customers with coverage for prescriptions either through a provincial health plan or third-party insurer, claims are submitted to the government and/or insurance companies and payment for eligible claims are remitted to the Company once or twice a month, depending on the insurer.

For amounts payable directly by the customers, generally, statements are sent to the customers on a monthly basis, with payments due no later than 30 days.

Until November 26, 2019 the Company operated the Surgical and Medical Centres Business with the following revenue policies:

Surgical Procedures
Revenue is recognized at the point in time in which these services are provided. Payments are made in advance or at the time of service. Advance payments or deposits are recorded as deferred revenue and are recognized as revenue when the services are rendered.

The Company has identified two distinct performance obligations related to the surgical procedure services. The first performance obligation relates to the pre-operative consultation and the second relates to the surgical procedure and associated post-operative follow-up appointments. The Company charges customers for the consultation and the surgical procedure (including post-operative follow-up appointments) separately. As such, there is no need to allocate the transaction prices to each of the performance obligations under IFRS 15, *Revenue from Contracts with Customers* as the amounts charged are reflective of each performance obligation's stand-alone selling price.

2. Significant Accounting Policies - continued

Family Practice Memberships
All performance obligations in a contract must be identified, with a requirement to allocate the transaction price to each performance obligation. In the case of Family Practice Memberships, the total consideration received from the service contract is allocated to all performance obligations identified based on their relative stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Company sells the services in separate transactions. A lower portion of the consideration is allocated to the Family Practice Memberships. As a result, a larger portion of revenue relating to the Executive Health Assessments (the "EHAs") may be deferred throughout the earlier periods of the membership term, depending on the timing of the provision of EHAs.

Stand-alone EHAs
Revenue is recognized at the point in time that the service is provided. Depending on the nature of the arrangement, EHAs are generally paid for at the time of assessment for individuals and within 30 days if invoiced to corporate customers.

Other Annual Programs - Surgical
Individuals may also sign up for support programs or follow-up programs pursuant to a surgical procedure (e.g. gastric band insertion). These programs are priced at a flat fee for each year and are paid in advance of the program's commencement. Revenue is recognized on a straight-line basis over the length of the membership term.

Third Party and Government Programs - Surgical Procedures and Facility Rental
Certain organizations contract with the Company to be their preferred partner for health services for its members. These programs generally require a master service agreement to establish the general terms of the arrangement, followed by individual service requisitions for the provision of each service. Under these agreements, the Company typically provides surgical procedures or the use of its facilities for surgical procedures. Invoices are generated after the procedures are performed and are billed to the organization. Invoices are usually paid within 45 days. Revenue for surgical procedures is recognized in the same manner as the surgical procedures noted above. Revenue for facility rental hours is recognized as they are provided over the term of the agreements.

Sale of Orthotics Products
Revenue is recognized at the point in time in which the orthotics are delivered to the customer as the performance obligation related to the sale of the orthotics products is satisfied at that time, with the customer gaining control of the goods. Payments are made in advance or at the time of ordering.

Barter Transactions
The Company occasionally enters into arrangements with arm's length parties where the Company provides services such as executive health assessments in exchange for promotional or advertising services. If the fair value of non-cash consideration is not reasonably determinable, the Company measures revenue earned from these transactions at the stand-alone selling price of services provided to the customer as an established market price for each service is available.

Deferred revenue and other deferred amounts

Deferred revenue or other deferred amounts arise from upfront payments received by the Company in consideration for future commitments as specified in its various arrangements. The accounting for such arrangements is dependent on the facts and terms of each of the arrangements. Amounts recognized as deferred revenue or other deferred amounts are recognized in the consolidated statement of income and comprehensive income when services are performed or amortized into profit or loss on a straight-line basis over the term of the arrangements.

Cost of healthcare services and supplies

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

2. Significant Accounting Policies - continued

Share-based payments

Stock options
The Company operates an equity settled, stock option compensation plan, under which the Company pays equity instruments of the Company as consideration in exchange for employee services. The plan is open to certain directors and employees of the Company. Stock options typically vest over three to four years and expire after five years. The fair value of the grant of the stock 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 historical performance and management's best estimates, they involve inherent uncertainties based on conditions outside the Company's control. Changes in these assumptions could significantly impact the valuation of the share-based payment expense.

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

Restricted share units ("RSUs")
The Company operates an equity settled RSU plan under which the Company pays equity instruments of the Company as consideration in exchange for employee services. The plan is also open to certain directors of the Company. RSUs typically vest over three years. The fair value of the grant of the RSUs is recognized as a share-based compensation expense. The total amount to be expensed is determined by reference to the fair value of the RSUs 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 RSUs that are expected to vest based on the non-market vesting conditions. The fair value of RSUs is estimated using the Company's quoted market price on the grant date.

Deferred share units ("DSUs")
The Company operates an equity settled DSU plan under which the Company pays equity instruments of the Company as consideration in exchange for director and officer services. DSUs typically vest over three years. The fair value of the grant of the DSUs is recognized as a share-based compensation expense. The total amount to be expensed is determined by reference to the fair value of the DSUs 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 DSUs that are expected to vest based on the non-market vesting conditions. The fair value of DSUs is estimated using the Company's quoted market price on the grant date.

Employee benefits

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.

2. Significant Accounting Policies - continued

Earnings per share

Basic earnings per share (“EPS”) amounts for net income or loss is calculated by dividing the net income 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 debentures and warrants.

Revisions of prior period comparatives

Certain comparative balances and disclosures in the notes to the consolidated financial statements have been retrospectively adjusted to conform to the current year's presentation.

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:

Collectibility of receivables
The Company assesses the collectability of receivables on an ongoing basis. A provision for expected credit losses involves management judgment and includes the review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts, adjusted for forward-looking factors.

Impairment testing of goodwill and indefinite life intangible assets
The Company tests at least 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 CGUs have been determined based on the greater of their fair value less costs of disposal and value in use. These calculations require the use of estimates.

Recognition of contingent consideration
In certain acquisitions, the Company may include contingent consideration which is subject to the acquired company achieving certain performance targets. At each reporting period, the Company estimates the future performance of acquired companies, which are subject to contingent consideration, in order to assess the probability that the acquired company will achieve its performance targets and thus earn its contingent consideration. Any changes in the fair value of the contingent consideration classified as a liability 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 its 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 on the generation of future taxable profits during the period in which those temporary losses and tax loss carry-forwards 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. Significant Accounting Policies - continued

Business combinations
On the completion of business acquisitions, management's judgment is required to estimate the purchase price, to identify and to fair value all assets and liabilities acquired. The determination of the fair value of assets and liabilities acquired is based on management's estimates and certain assumptions generally included in a present value calculation of the related cash flows.

Leases
Management makes assumptions and estimations in the determination of the incremental borrowing rates used to calculate the present value of lease payments. In addition, the Company exercises judgment when assessing whether renewal options are reasonably certain to be exercised.

Accounting for investments
Under IFRS 9, *Financial Instruments* ("IFRS 9"), it is acknowledged that, in certain circumstances, cost may be an appropriate estimate of fair value. The Company has considered the guidance provided by IFRS 9 and all available information about the performance and operations of the investee and has concluded that cost is representative of the fair value of the investment. The Company performs an assessment at each reporting date to determine if cost is still the best estimate of fair value. If the Company identifies any relevant factors that would indicate that cost is not representative of fair value, the Company will make use of other valuation methods to determine the fair value.

Judgment is needed to assess whether the Company's interest in an equity instrument meets the definition of significant influence and therefore would be accounted for under the equity method as opposed to FVTPL. Management makes this determination based on its legal ownership interest, board representation and through an analysis of the Company's participation in the entity's decision making process. As at and for the years ended December 31, 2019 and 2018, management determined that it is not able to exert significant influence over AceAge Inc. ("AceAge").

(in thousands of Canadian dollars, unless otherwise noted)

3. Contingent Consideration

The fair value of contingent consideration is an estimate. The valuation model considers possible scenarios of forecast EBITDA or other performance metrics, the amount to be paid under each scenario and the probability of each scenario. The fair value is dependent on certain inputs such as forecast EBITDA, non-financial metrics, risk adjusted discount rates and the Company's share price.

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

	CareRx	Grande Prairie	Salus	Other	Total
	$	$	$	$	$
Balance at December 31, 2017	1,157	1,079	1,402	1,001	**4,639**
Additions to contingent consideration	—	—	—	275	**275**
Change in fair value during the year	253	103	285	281	**922**
Contingent consideration settled in shares	—	—	(100)	—	**(100)**
Contingent consideration settled in cash	—	—	(133)	(464)	**(597)**
Balance at December 31, 2018	**1,410**	**1,182**	**1,454**	**1,093**	**5,139**
Additions to contingent consideration	—	—	—	399	**399**
Change in fair value during the year	364	154	294	307	**1,119**
Contingent consideration settled in shares	—	(43)	(14)	—	**(57)**
Contingent consideration settled in cash	—	(285)	(450)	—	**(735)**
Balance at December 31, 2019	**1,774**	**1,008**	**1,284**	**1,799**	**5,865**
Less: Current portion	**1,774**	**1,008**	**398**	**233**	**3,413**
Non-current portion at December 31, 2019	**—**	**—**	**886**	**1,566**	**2,452**

On October 7, 2016, the Company recorded a contingent consideration liability as part of the consideration for the acquisition of CareRx in the amount of $2,988, which represented its fair value at the date of acquisition, payable over a three-year period. The fair value on acquisition consisted of $967 in performance cash, $468 in performance shares (up to a maximum 2,500,000 common shares) and nil in warrants (up to a maximum of 2,000,000 warrants) based on the share price of the Company's common shares on October 7, 2016 ($0.36 per common share), and the probability of meeting or exceeding EBITDA targets and executing certain long-term contracts. The warrants would have vested if CareRx exceeded the EBITDA target and/or executed certain long-term contracts, allowing the holder to purchase one share of the Company at an exercise price of $0.395 over a two-year term. In addition, the fair value of contingent consideration on the date of acquisition included $1,553, which is payable depending on the Company's share price at a future date. This amount was estimated based on a risk-adjusted discount rate of 10% and the Company's share price on the acquisition date. As a result of CareRx's performance to date, certain performance conditions were not met and the probability assigned to the execution of certain long-term contracts was reduced to nil, resulting in the reversal of the contingent consideration liability recorded for all performance cash, performance shares and warrants. The ending liability as at December 31, 2019 of $1,774 relates to outstanding payments based on the share price of the Company's common shares issued as consideration at the closing of the transaction.

3. Contingent Consideration - continued

On December 22, 2016, the Company recorded a contingent consideration liability as part of the consideration for the acquisition of Grande Prairie in the amount of $1,064, which represented its fair value at the date of acquisition, payable over a three-year period. The fair value on acquisition consisted of $405 in performance cash, $220 in performance shares (up to a maximum of 400,000 common shares) and nil in warrants (up to a maximum of 400,000 warrants) based on the share price of the Company's common shares on December 22, 2016 ($0.55 per common share) and the probability of meeting or exceeding EBITDA targets. On the acquisition date, the Company estimated a 100% probability of meeting the EBITDA target. The warrants would have vested if Grande Prairie exceeded the EBITDA target, allowing the holder to purchase one share of the Company at an exercise price of $0.5382 over a two-year term. In addition, the fair value of contingent consideration on the date of acquisition included $439, which is payable depending on the Company's share price on a future date. This amount was estimated based on a risk-adjusted discount rate of 10% and the Company's share price on the acquisition date. On January 31, 2018, the Company paid $490 and issued 400,000 shares to settle the deferred cash and share consideration. Additionally, in 2018, the probability of meeting or exceeding EBITDA targets was reduced as a result of a reduced EBITDA forecast. The two-year term for the EBITDA targets ended in December 2019 and the contingent consideration liability with respect to the associated performance cash and performance shares was revised based on the actual EBITDA earned during this period, resulting in the issuance of $43 in performance shares on June 10, 2019, and payment of $285 in performance cash on November 27, 2019. The ending liability as at December 31, 2019 of $1,008 relates to the Company's common shares issued as consideration at the closing of the transaction.

On February 3, 2020, the Company issued 6,378,675 common shares to settle the remaining contingent consideration liability for the acquisition of Grande Prairie.

On November 15, 2017, the Company recorded a contingent consideration liability as part of the consideration for the acquisition of Salus in the amount of $1,384, which represented its fair value at the date of acquisition, payable over a five-year period. The fair value on acquisition consisted of $774 in performance cash (up to a maximum of $1,533), $250 in performance shares (up to a maximum of 696,968 shares) and $269 in warrants (up to a maximum of 1,000,000 warrants) subject to certain performance benchmarks being achieved over the five-year period. On the acquisition date the Company estimated a 70% probability of meeting the performance benchmarks. As at December 31, 2019, the Company estimated a 100% probability of meeting the performance benchmarks. The warrants will vest on renewal of a long-term contract, allowing the holder to purchase one common share of the Company for each warrant at an exercise price of $0.6455 over a two-year term. In addition, the fair value of contingent consideration on the date of acquisition included $91, which is payable depending on the Company's share price on a future date. This amount was estimated based on a risk-adjusted discount rate of 10% and the Company's share price on the acquisition date. As at December 31, 2019, the expected range of potential undiscounted amounts payable remaining is between $200 and $1,666.

On January 30, 2018, the Company paid out $133 in performance cash and 60,605 performance shares related to the completion of a portion of the Salus earn-out.

On November 14, 2018, the Company issued 272,727 shares related to the completion of a portion of the Salus earn-out.

On March 29, 2019, the Company paid an aggregate of $225 related to the completion of a portion of the Salus earn-out.

On November 29, 2019 and December 6, 2019, the Company paid $225 and issued 90,909 deferred shares, respectively, related to the completion of a portion of the Salus earn-out.

On September 5, 2018, the Company paid $77 and $387 to settle the earn-out obligations related to the 2016 acquisitions of Pharmacy West and Medicine Hat, respectively.

(in thousands of Canadian dollars, unless otherwise noted)

4. Trade and Other Receivables

Trade and other receivables as at December 31, 2019 and December 31, 2018 are comprised of the following:

	December 31, 2019	December 31, 2018
	$	$
Trade receivables, net of provision (note 13)	**12,040**	11,357
Indirect taxes receivable	**510**	233
Total	**12,550**	11,590

5. Inventories

The Company's December 31, 2019 inventory balance of $5,243 (2018 - $4,749) consisted of pharmaceutical products and medical supplies. Inventories are pledged as security as part of the Company's lending agreements as outlined in note 10. Inventory provisions of $13 and nil were recognized as at December 31, 2019 and 2018, respectively.

Inventories that were expensed during the year ended December 31, 2019 were $57,819 (2018 - $55,213).

(in thousands of Canadian dollars, unless otherwise noted)

6. Property and Equipment

	Office furniture, fixtures and equipment $	Computer equipment $	Medical equipment $	Leasehold improvements $	Right-of-use assets - Properties $	Right-of-use assets - Equipment $	Right-of-use assets - Vehicles $	Total $
Year ended December 31, 2018								
Cost								
Balance at December 31, 2017	10,599	5,277	11,259	5,662	—	—	—	32,797
Additions and finance lease	1,724	740	387	110	—	—	—	2,961
Disposals	(63)	—	(9)	—	—	—	—	(72)
Disposals from sale of business	(9)	(32)	—	(92)	—	—	—	(133)
Held for sale (note 21)	(646)	(362)	(8,739)	(3,637)	—	—	—	(13,384)
Balance at December 31, 2018	**11,605**	**5,623**	**2,898**	**2,043**	**—**	**—**	**—**	**22,169**
Accumulated depreciation and impairment losses								
Balance at December 31, 2017	(3,330)	(3,173)	(7,588)	(2,314)	—	—	—	(16,405)
Depreciation	(1,034)	(713)	(1,275)	(501)	—	—	—	(3,523)
Disposals	9	—	5	—	—	—	—	14
Disposals from sale of business	4	18	—	32	—	—	—	54
Held for sale (note 21)	345	243	7,220	1,740	—	—	—	9,548
Balance at December 31, 2018	**(4,006)**	**(3,625)**	**(1,638)**	**(1,043)**	**—**	**—**	**—**	**(10,312)**
Year ended December 31, 2019								
Cost								
Balance at December 31, 2018	11,605	5,623	2,898	2,043	—	—	—	22,169
IFRS 16 transition	—	—	—	—	8,120	227	420	8,767
Additions	2,093	474	—	223	529	32	397	3,748
Disposals	(19)	(2)	(58)	—	—	—	(6)	(85)
Held for sale (note 21)	(36)	(22)	(10)	(5)	(91)	—	—	(164)
Balance at December 31, 2019	**13,643**	**6,073**	**2,830**	**2,261**	**8,558**	**259**	**811**	**34,435**
Accumulated depreciation and impairment losses								
Balance at December 31, 2018	(4,006)	(3,625)	(1,638)	(1,043)	—	—	—	(10,312)
Depreciation	(1,239)	(676)	(485)	(256)	(1,197)	(57)	(251)	(4,161)
Disposals	4	1	41	—	—	—	4	50
Held for sale (note 21)	17	11	5	3	—	—	—	36
Year ended December 31, 2019	**(5,224)**	**(4,289)**	**(2,077)**	**(1,296)**	**(1,197)**	**(57)**	**(247)**	**(14,387)**
Net carrying value								
As at December 31, 2018	7,599	1,998	1,260	1,000	—	—	—	11,857
As at December 31, 2019	**8,419**	**1,784**	**753**	**965**	**7,361**	**202**	**564**	**20,048**

(in thousands of Canadian dollars, unless otherwise noted)

7. Goodwill and Intangible Assets

	Goodwill $	Licences & Franchise rights $	Contracts $	Non-compete Arrange-ments $	Computer software $	Customer & Physician Relation-ships $	Trade-marks $	Total Intangible Assets $	Total $
Year ended December 31, 2018									
Cost									
Balance at December 31, 2017	77,063	4,148	19,895	881	7,277	46,126	12,168	90,495	167,558
Additions	—	—	1,413	—	496	—	—	1,909	1,909
Disposals from sale of business	—	—	—	—	(14)	—	—	(14)	(14)
Held for sale (note 21)	(19,972)	(776)	(1,288)	(501)	(521)	(8,751)	(6,225)	(18,062)	(38,034)
Purchase price allocation adjustment	(2,328)	—	—	—	—	2,328	—	2,328	—
Balance at December 31, 2018	**54,763**	**3,372**	**20,020**	**380**	**7,238**	**39,703**	**5,943**	**76,656**	**131,419**
Accumulated amortization and impairment losses									
Balance at December 31, 2017	(7,159)	(2,742)	(6,798)	(494)	(5,809)	(36,771)	(8,857)	(61,471)	(68,630)
Amortization	—	—	(2,024)	(129)	(529)	(2,561)	(880)	(6,123)	(6,123)
Disposals from sale of business	—	—	—	—	10	—	—	10	10
Impairment	(17,000)	—	—	—	—	—	—	—	(17,000)
Impairment in discontinued operations	(2,000)	—	—	—	—	—	—	—	(2,000)
Held for sale (note 21)	7,659	—	1,288	469	330	8,207	4,266	14,560	22,219
Balance at December 31, 2018	**(18,500)**	**(2,742)**	**(7,534)**	**(154)**	**(5,998)**	**(31,125)**	**(5,471)**	**(53,024)**	**(71,524)**
Year ended December 31, 2019									
Cost									
Balance at December 31, 2018	54,763	3,372	20,020	380	7,238	39,703	5,943	76,656	131,419
Additions	—	—	751	—	123	—	—	874	874
Held for sale (note 21)	(1,745)	—	—	—	(41)	(1,240)	—	(1,281)	(3,026)
Balance at December 31, 2019	**53,018**	**3,372**	**20,771**	**380**	**7,320**	**38,463**	**5,943**	**76,249**	**129,267**
Accumulated amortization and impairment losses									
Balance at December 31, 2018	(18,500)	(2,742)	(7,534)	(154)	(5,998)	(31,125)	(5,471)	(53,024)	(71,524)
Amortization	—	—	(2,366)	(76)	(391)	(2,144)	(169)	(5,146)	(5,146)
Impairment	(8,000)	—	—	—	—		—	—	(8,000)
Held for sale (note 21)	721	—	—	—	17	641	—	658	1,379
Balance at December 31, 2019	**(25,779)**	**(2,742)**	**(9,900)**	**(230)**	**(6,372)**	**(32,628)**	**(5,640)**	**(57,512)**	**(83,291)**
Net carrying value									
As at December 31, 2018	36,263	630	12,486	226	1,240	8,578	472	23,632	59,895
As at December 31, 2019	**27,239**	**630**	**10,871**	**150**	**948**	**5,835**	**303**	**18,737**	**45,976**

As at December 31, 2019 and 2018 the Company has $630 of indefinite life intangible assets.

(in thousands of Canadian dollars, unless otherwise noted)

7. Goodwill and Intangible Assets - continued

During the third quarter of 2018, the Company finalized the purchase price allocation for the Salus acquisition, as follows:

Fair value of net assets acquired	Balance on Acquisition $	Measurement Period Adjustments $	Final Purchase Price Allocation $
Working capital	51	—	51
Property and equipment	229	—	229
Goodwill	3,077	(2,328)	749
Intangible assets	—	2,328	2,328
Less: Lease obligation	(168)	—	(168)
Total	**3,189**	**—**	**3,189**

Annual impairment testing of goodwill

The Company completed its annual impairment testing of goodwill and indefinite life intangible assets as at June 30, 2019. The recoverable amount of the Company's CGUs is determined based on value-in-use calculations. The Company used a capitalized cash flow approach for all CGUs, which involves capitalizing the estimated future maintainable pre-tax cash flows from operations using a pre-tax 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 flows. This approach requires assumptions about revenue growth rates, operating margins and discount rates. The maintainable discretionary pre-tax cash flows from operations were based on historical results and projected results to December 31, 2019 approved by management.

The Company projected normalized revenue, operating margin 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 or uncertainty in the regulatory environment.

The recoverable amount of the Company's CGUs is considered to be a Level 3 fair value calculation as described in note 13. The assumptions used by the Company in its goodwill impairment testing are as follows:

CGU	Goodwill as at June 30, 2019 $	Terminal Growth Rate	Pre-tax Discount Rate
Performance Orthotics	1,048	2.0%	14.4%
Pharmacy - Eastern Canada	26,803	2.8%	13.5%
Pharmacy - Western Canada	8,436	2.8%	16.0%
Surgical - Eastern Canada	—	2.0%	14.1%
Surgical - Western Canada	10,186	2.0%	13.9%

7. Goodwill and Intangible Assets - continued

During the year ended December 31, 2019, the Company recorded impairment charges of $1,742 related to the Performance Orthotics CGU (note 21).

For each of the remaining CGUs, the recoverable amount calculated was in excess of the carrying value as at June 30, 2019.

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 found that a 1% increase in the discount rate would not result in the recoverable amount to become less than the carrying value of the CGUs as at June 30, 2019.

During the year ended December 31, 2019, the Ontario Ministry of Health informed long-term care pharmacy operators in Ontario that they were proceeding with certain proposed amendments to the ODBA. Most notably, the amendments eliminated the ability for long-term care pharmacies in Ontario to charge a dispensing fee, co-pays or other clinical billings such as MedsChecks, instead imposing a capitation model on long-term care pharmacies in Ontario, with annual fees starting at $1,500 dollars per bed serviced, effective January 1, 2020, declining to $1,200 dollars per bed by the fourth year following implementation. These amendments to the ODBA put additional pressure on the Pharmacy - Eastern Canada CGU's maintainable operating margins.

As at December 31, 2019, the Company updated its impairment testing of goodwill and identifiable intangible assets for this CGU with assumptions on revenue growth rates, operating margins and maintainable discretionary pre-tax cash flows from operations in accordance with the Company's approved budget for the year ended December 31, 2020, which includes the impact of the ODBA amendments. The Company projected normalized revenue, operating margin 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 recoverable amount calculated was lower than the carrying value as at December 31, 2019 resulting in an impairment charge of $8,000 against the goodwill of the Pharmacy - Eastern Canada CGU recorded during the year ended December 31, 2019.

Included in the disposal groups classified as held for sale as at December 31, 2019 is the Performance Orthotics CGU. This CGU was divested on January 1, 2020 (note 21).

The Company did not reverse any impairment losses for definite life intangible assets for the years ended December 31, 2019 and 2018.

(in thousands of Canadian dollars, unless otherwise noted)

8. Income Taxes

The major components of income tax expense (recovery) for the years ended December 31, 2019 and 2018 are:

	December 31, 2019	December 31, 2018
	$	$
Current income tax expense (recovery)	**17**	(273)
Deferred income tax expense (recovery)	**6,079**	(3,949)
Total	**6,096**	(4,222)

The total provision for income taxes varies from the amounts that would be computed by applying the statutory income tax rate of approximately 26.50% (2018 - 26.85%) primarily due to permanent differences and the derecognition of net deferred tax assets. Permanent differences in the years ended December 31, 2019 and 2018 arose as a result of impairment charges, contingent consideration, 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.

	December 31, 2019	December 31, 2018
	$	$
Loss before income taxes from continuing operations	**(39,581)**	(39,609)
Expected income tax recovery based on statutory tax rate	**(10,489)**	(10,635)
Impact from non-deductible items	**5,860**	6,509
Impact from unrecognized (recognized) deferred tax assets	**9,975**	(1,202)
Provision to return and other adjustments	**490**	1,110
Other	**260**	(4)
Income tax expense (recovery)	**6,096**	(4,222)

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

The components of net deferred income tax assets (liabilities) recognized are as follows:

	December 31, 2019	December 31, 2018
	$	$
Property and equipment	**338**	—
Non- and net-capital losses	**51**	4,159
Financing costs[1]	**—**	707
Other deferred amounts[2]	**4,014**	5,302
Deferred income tax assets	**4,403**	10,168
Property and equipment	**319**	261
Goodwill and intangible assets	**2,642**	3,846
Other	**1,460**	—
Deferred income tax liabilities	**4,421**	4,107
Net deferred income tax assets (liabilities) recognized	**(18)**	6,061

[1]*As at December 31, 2019, the Company has gross financing costs of $6,642 (2018 - $2,439).*
[2]*As at December 31, 2019, the Company has gross undeducted reserves of $16,066 (2018 - $19,392).*

(in thousands of Canadian dollars, unless otherwise noted)

8. Income Taxes - continued

	December 31, 2019	December 31, 2018
	$	$
Net deferred tax asset, beginning of year	**6,061**	2,421
Recognized in consolidated statements of income and comprehensive income	**(6,079)**	3,949
Recognized in gain or loss from discontinued operations	**—**	29
Not recognized through consolidated statements of income and comprehensive income	**—**	(338)
Net deferred tax assets (liabilities), end of year	**(18)**	6,061

Deferred tax assets in excess of deferred tax liabilities have not been recognized because it is not probable that the Company will be able to use these benefits. As at December 31, 2019, the Company has gross non-capital tax loss carry-forwards of $50,803 (2018 - $39,925), which expire between 2031 to 2039, that can be carried forward against future taxable income. The full amount of these loss carry-forwards was not recognized as at December 31, 2019 (2018 - $24,520). As at December 31, 2019, the Company had no net capital losses available (2018 - $3,236).

9. Trade Payables and Other Liabilities

Trade payables and other liabilities are comprised of the following:

	December 31, 2019	December 31, 2018
	$	$
Trade payables	**11,761**	9,598
Accrued liabilities	**6,086**	4,921
Deferred revenue	**—**	11
Amounts payable to related parties (note 14)	**—**	15
Severance costs (note 16)	**716**	1,183
Total	**18,563**	15,728

(in thousands of Canadian dollars, unless otherwise noted)

10. Borrowings

Borrowings consist of the following:

	December 31, 2019	December 31, 2018 (Revised - Note 22)
	$	$
Liability component of Convertible Debentures	**27,742**	—
Ewing Convertible Debentures	**10,563**	—
Ewing Convertible Debentures embedded derivatives	**2,448**	—
Subordinated Facility	**11,673**	11,558
Revolving Facility	**4,690**	19,203
Finance loans	**149**	206
Term Facility	—	53,300
Acquisition Facility	—	4,982
Total borrowings	**57,265**	89,249
Less current portion of borrowings:		
Credit Facilities	**16,363**	89,043
Ewing Convertible Debentures	**110**	—
Liability component of Convertible Debentures	**27,742**	—
Finance loans	**55**	55
Total current portion of borrowings	**44,270**	89,098
Total non-current portion of borrowings	**12,995**	151

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

Convertible Debentures

On November 22, 2019, the Company closed its November 2019 Private Placement (note 1, 12). The net proceeds of the November 2019 Private Placement were used by the Company to repay a portion of the Credit Facilities. As part of November 2019 Private Placement, the Company issued $27,500 aggregate principal amount of 8.25% unsecured convertible debentures to Yorkville and certain shareholders and directors of the Company.

Each Convertible Debenture is convertible into common shares at the option of the holder at a conversion price of $0.15 per common share (the "Conversion Price"). In addition, the Convertible Debentures provide the Company with a mandatory conversion right where $6,875 of the Convertible Debentures may be converted into common shares at the Conversion Price at the beginning of years three, four and five following their issue date, provided that no event of default is continuing at the time of conversion. The Convertible Debentures will mature on the fifth anniversary of the issue date at which point any remaining principal amount not already converted will be repaid in common shares based on the Conversion Price.

The Convertible Debentures have been accounted for as a compound financial instrument comprised of: (i) a financial liability component representing the contractual cash flows of 8.25% annual coupon payments and the principal amount payable in cash under certain circumstances; (ii) an equity component representing certain conversion and redemption features; and (iii) the embedded derivative component representing the holder's redemption option in the event of a change in the Company's control, and purchase for cancellation features and classified as a financial liability at FVTPL. The liability component was recognized initially at the fair value of a similar liability that does not have any equity conversion and redemption features. The equity component was recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. The embedded derivatives were determined to have nil values. Any directly attributable financing costs were allocated to the liability and equity components in proportion to their initial carrying values.

(in thousands of Canadian dollars, unless otherwise noted)

10. Borrowings - continued

The Company has ascribed the following initial carrying values to the components of the Convertible Debentures:

	Initial carrying value	Financing costs	Net carrying value
Liability component of Convertible Debentures	17,210	2,108	15,102
Equity component of Convertible Debentures	10,290	1,261	9,029
Embedded derivatives	—	—	—
Total	27,500	3,369	24,131

Subsequent to initial recognition, the liability component of the Convertible Debentures is measured at amortized cost using the effective interest method. The equity component of Convertible Debentures is not remeasured subsequent to initial recognition, except on conversion or expiry. The embedded derivative fair values will be reassessed by the Company at each reporting date.

The outstanding principal amount of the Convertible Debentures is payable in cash under certain circumstances, including a default by the Company on its other indebtedness. Although the Company received covenant waivers and further amended its agreements for the Credit Facilities subsequent to December 31, 2019, consistent with the Credit Facilities, the Company has adjusted the liability component of the Convertible Debentures to their principal amount of $27,500, presented the liability component of the Convertible Debentures as a current liability as at December 31, 2019 and recognized accretion expense with respect to the Convertible Debentures in the amount of $12,404 (note 17).

March 2019 Private Placement and Ewing Convertible Debentures

On March 12, 2019, the Company completed a private placement (the "March 2019 Private Placement") to Ewing Morris for gross proceeds of $12,000 through the issuance of 30,000,000 convertible preferred shares of the Company at an issue price of $0.40 per common share (the "Preferred Shares"). Each Preferred Share was entitled to receive a cumulative annual dividend equal to $0.036 per common share (9% per annum), payable in arrears semi-annually in cash. During the year ended December 31, 2019, no dividends were declared or paid on the Preferred Shares. The Preferred Shares were convertible into common shares of the Company at the holder's option on a one-for-one basis, and at the Company's option in certain circumstances, subject to customary anti-dilution adjustments. The Preferred Shares were expected to mature on March 12, 2024, at which time each outstanding Preferred Share would have been redeemed by the Company for $0.40 plus any unpaid dividends.

The proceeds of the March 2019 Private Placement were used by the Company to repay senior indebtedness. Ewing Morris received the right to nominate one director to the Company's Board for so long as it held the Preferred Shares.

On the closing of the March 2019 Private Placement, the Company's financial advisor received advisory fees, including 1,050,000 warrants (note 12).

The March 2019 Private Placement was accounted for as a compound financial instrument comprised of: (i) a financial liability component representing the contractual cash flows of 9% in annual dividend payments and a cash repayment of $12,000 on maturity; and (ii) a derivative liability component representing the fair value of the conversion and redemption features. The derivative liability component is fair valued at each reporting date.

On November 22, 2019, following the completion of the November 2019 Private Placement , the Company exchanged the Preferred Shares, including accrued and unpaid dividends in the aggregate amount of $12,540 for an equivalent amount of Ewing Convertible Debentures (note 1).

10. Borrowings - continued

The Ewing Convertible Debentures have substantially the same terms as the Preferred Shares, except that: (i) the coupon rate under the Ewing Convertible Debentures was lowered from 9% to 8% per annum; (ii) the conversion price was lowered from $0.40 to $0.25 per common share; and (iii) the share price threshold required to trigger the Company's ability to exercise a forced conversion of the Ewing Convertible Debentures into common shares was lowered from $0.80 to $0.375 per common share and is exercisable from the issuance date, provided that if the Company exercises a forced conversion before March 12, 2021, it will be required to pay 50% of any remaining interest until such date. Additionally, if the Company fails to pay interest in full when due, an amount equal to an annual rate of 10% of the principal amount of debentures shall be added to the principal and accrue interest at a rate of 8%.

The exchange of the Preferred Shares for Ewing Convertible Debentures has been accounted for as an extinguishment of the original financial liability as required under IFRS, and a loss on extinguishment of $3,024 was recognized (note 17). The loss on extinguishment included financing costs of $6 related to the exchange of the Preferred Shares for Ewing Convertible Debentures.

The Ewing Convertible Debentures have been accounted for as a compound financial instrument comprised of: (i) a financial liability component representing the contractual cash flows of 8% in annual interest payments and a cash repayment of $12,540 on maturity; and (ii) a derivative liability component representing the fair value of the conversion and redemption features. The derivative liability component is fair valued at each reporting date (note 13).

Credit Facilities

The Company’s credit facilities are with a syndicate of lenders comprised of three major Canadian banks providing for credit facilities of up to an aggregate amount of $113,500 at inception. The credit facilities were made up of up to $100,000 in senior secured facilities (the "Senior Facilities") and $13,500 in a secured subordinated term credit facility (the "Subordinated Facility") (collectively, the "Credit Facilities"). All borrowings under the Senior Facilities had original maturities of five years after the date of the agreement.

The Senior Facilities were structured as follows: (i) a revolving credit facility in the amount of up to $18,000 (up to $20,000 prior to May 30, 2019), including a swingline of up to $3,000 ("Revolving Facility"); (ii) a non-revolving term loan facility in the amount of up to $60,000 ("Term Facility"); and (iii) a limited revolving acquisition and capital expenditure term loan facility in the amount of up to $4,786 (up to $20,000 prior to May 30, 2019) to be available in multiple draws ("Acquisition Facility").

Interest rates under the Senior Facilities vary based on the Company’s total funded debt to EBITDA ratio with a range between 0.50% to 3.50% over the Canadian prime rate for prime rate loans and 2.00% to 5.00% over CDOR for Bankers’ Acceptances and a range of 0.40% to 1.05% for standby fees for amounts not borrowed.

The Subordinated Facility consists of a term loan that was fully drawn in one advance for a total of $13,500, which accrues interest at a rate of 9% per annum. The Subordinated Facility matures five and a half years after the date of the agreement. On June 23, 2017, the Company prepaid $2,000 of the principal balance along with a $20 cash consent fee in accordance with the Subordinated Facility agreement. On June 29, 2018, as a result of an amendment to the Subordinated Facility agreement, the Company began accruing additional interest payable in kind of 1% per annum on a monthly basis towards the outstanding principal balance.

On November 26, 2019, the Company repaid all outstanding balances under the Term and Acquisition Facilities as well as accrued interest on the Credit Facilities and paid down substantially all of the outstanding balance under the Revolving Facility with the net proceeds received from the November 2019 Private Placement and divestiture of the Company's Surgical and Medical Centres business.

In accordance with the terms of the Credit Facilities, the Company entered into an interest rate swap agreement on July 4, 2017, which was settled in December 2019 (note 13).

10. Borrowings - continued

On March 20, 2018 and June 29, 2018, the Company amended its agreements for the Credit Facilities to increase the threshold on its debt to trailing twelve-month EBITDA covenant and decrease the threshold on its fixed-charge coverage ratio covenant. The amendments were made to the fourth quarter of 2017 and the first three quarters of 2018 due to non-compliance in those quarters due to timing differences in the transition between contracts and the delayed onboarding of beds from issues with a third-party supplier, as well as the impact of recent regulatory changes.

On November 14, 2018, the Company received a covenant waiver for the third quarter of 2018 and further amended its agreements for the Credit Facilities such that interest owing on the Subordinated Facility would accrue for a period of up to six months and the Company would be subject to escalating increases in interest rates of 0.75% to 2.0% on its Senior Facilities and 2.5% to 5.0% on its Subordinated Facility, all of which would be payable and due on the earlier of the completion of a divestiture of its non-core assets or March 31, 2019.

On March 12, 2019, the Company received a covenant waiver for the fourth quarter of 2018 and amended its agreements for the Credit Facilities to revise its financial covenants for the fourth quarter of 2018 and first quarter of 2019 to financial targets established by a financial review by an independent third-party that was approved by the lenders.

On May 30, 2019, October 31, 2019 and January 24, 2020, the Company received covenant waivers for the second, third and fourth quarters of 2019, respectively, and further amended its agreements for the Credit Facilities to revise its financial covenants for these periods to financial targets consistent with the fourth quarter of 2018 and first quarter of 2019, in addition to a further financial covenant based on the Company's cash flow forecasts. In addition, the May 30, 2019 amendment also affected a temporary reduction in the Revolving Facility from $20,000 to $18,000 and a permanent reduction in the Acquisition Facility from $20,000 to $4,786.

In March 2020, the Company signed binding commitment letters with Crown Capital and Yorkville to advance total facilities of up to $30,000 and $12,000, respectively, to refinance the Company's existing Credit Facilities and finance the Remedy's acquisition (note 1).

11. Other Deferred Amounts

Preferred drug supplier

On July 14, 2016, the Company entered into ten-year Business Development, Technology and Supply Agreements with a new drug supplier (the "Agreements"). Under the terms of these Agreements, the Specialty Pharmacy business committed to an exclusive supply agreement with this supplier. In addition, the supplier committed $16,850 to support innovative programs and solutions, as well as organic and acquisitive growth strategies of the Company. The Company received the full amount by the fourth quarter of 2017.

The Company has classified $16,850 as other deferred amounts and is amortizing the amounts into income on a straight-line basis over the term of the Agreements. The remaining unamortized balance as at December 31, 2019 was $10,915 (2018 - $12,631).

Preferred cannabis partner

On September 4, 2018, the Company entered into multi-year supply and service agreements with a preferred cannabis partner for the provision of medical cannabis ("Cannabis Agreements"). Under the Cannabis Agreements, the preferred cannabis partner will be the education partner and supplier of medical cannabis to the Company and the seniors that it serves.

As consideration for appointing the preferred cannabis partner as the preferred supplier of medical cannabis, the Company received $7,000, of which $3,000 was restricted to growth-related activities for the Specialty Pharmacy division. The Company issued 850,000 warrants to the preferred cannabis partner at an exercise price of $0.25 per common share, vesting after two years and expiring after four years.

The consideration received, net of the fair value of warrants issued ($104), has been accounted for as deferred revenue and is being amortized into income on a straight-line basis over the term of the Cannabis Agreements. The remaining unamortized balance as at December 31, 2019 was $5,057 (2018 - $6,437). The Company has classified the $3,000 subject to restrictions as Restricted Cash, of which a nil balance remained as of December 31, 2019 (2018 - $1,400).

(in thousands of Canadian dollars, unless otherwise noted)

12. Shareholders' Equity and Earnings per Share

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

For the year ended ($ thousands, except share amounts)	**December 31, 2019**		December 31, 2018	
Common Shares	**Common Shares**	**Stated value $**	Common Shares	Stated value $
Balance, beginning of year	**210,355,022**	**132,107**	201,468,731	128,886
Issuance of common shares	**70,507,952**	**7,951**	5,225,616	1,522
Common shares released from escrow or issued from treasury for contingent consideration	**700,000**	**106**	833,332	245
RSUs and warrants exercised	**2,269,928**	**931**	2,427,343	1,234
Deferred consideration for acquisitions	**90,909**	**14**	400,000	220
Balance, end of year	**283,923,811**	**141,109**	210,355,022	132,107

The number of common shares considered to be issued for financial reporting purposes is exclusive of restricted shares issued, common shares issued in trust or held in escrow pending the achievement of certain stated milestones or performance targets.

The total common shares in aggregate as at December 31, 2019 are:

Type of common shares	
Freely tradeable	283,923,811
Escrowed and restricted	4,054,232
Total	**287,978,043**

Issuance of common shares

On January 31, 2018, the Company issued 400,000 common shares as part of the deferred consideration for the acquisition of Grande Prairie (note 3).

During 2018, the Company issued 333,332 common shares for the settlement of contingent consideration related to the Salus acquisition (note 3).

On October 8, 2018, the Company released 500,000 common shares from escrow as part of a multi-year agreement with a national customer. As at December 31, 2018, 1,500,000 shares were freely tradeable and the remaining 1,500,000 shares were held in escrow to be released over the term of the agreement.

On December 24, 2018, the Company issued 5,225,616 common shares as part of a multi-year agreement with a national customer.

During 2019, the Company issued 290,909 common shares for the settlement of contingent consideration and deferred consideration for acquisitions (note 3).

During 2019, 1,008,625 common shares were issued to the Company's financial advisor as payment for services rendered.

On October 28, 2019, the Company released 500,000 common shares from escrow as part of a multi-year agreement with a national customer. As at December 31, 2019, 2,000,000 shares were freely tradeable and the remaining 1,000,000 shares were held in escrow to be released over the term of the agreement.

On November 22, 2019, the Company issued 64,500,000 common shares as part of November 2019 Private Placement (note 1), and total transaction costs incurred were $704.

(in thousands of Canadian dollars, unless otherwise noted)

12. Shareholders' Equity and Earnings per Share - continued

On December 11, 2019, the Company issued 4,999,327 common shares as part of a multi-year agreement with a national customer.

In 2019 and 2018, the Company issued 2,269,928 and 2,427,343 common shares, respectively, related to RSUs issued to management, employees and directors that vested and warrants and options exercised.

	December 31, 2019	December 31, 2018
	Units	Units
RSUs exercised	**2,269,928**	1,427,343
Warrants exercised	**—**	1,000,000
Total	**2,269,928**	2,427,343

Issuance of RSUs and DSUs

The maximum number of common shares which may be issued under all security-based compensation arrangements of the Company cannot exceed 10% of the common shares issued and outstanding at any given time, calculated on a non-diluted basis. Grants held by non-employee directors of the Company are at all times limited to no more than 1% of the common shares issued and outstanding, calculated on a non-diluted basis, and the total annual grant to any one non-employee director under all security-based compensation arrangements cannot exceed a grant value of $150,000 in total equity.

RSUs and DSUs vest over a period of three years on each anniversary of the grant date unless a different vesting schedule is approved by the Board.

The Company's outstanding RSUs and DSUs are as follows:

For the year ended	**December 31, 2019**	December 31, 2018
RSUs and DSUs	**Units**	Units
Balance, beginning of year	**6,045,903**	3,224,080
RSUs and DSUs granted	**5,400,751**	4,690,000
RSUs and DSUs released	**(2,269,928)**	(1,427,343)
RSUs and DSUs forfeited	**(1,361,253)**	(440,834)
Balance, end of year	**7,815,473**	6,045,903

The weighted-average remaining term to vest for RSUs and DSUs outstanding as at December 31, 2019 is 1.72 years.

(in thousands of Canadian dollars, unless otherwise noted)

12. Shareholders' Equity and Earnings per Share - continued

During the year ended December 31, 2019, the Company had the following RSU and DSU grants:

Grant date	Units granted	Granted to	Vesting conditions	Fair valued based on the quoted market price of issuance per common share
January 14, 2019	1,712,500 RSUs	Management and employees of the Company	Vest over three years	$0.28
January 14, 2019	62,500 DSUs	Management of the Company	Vest over three years, are only eligible to be converted into shares when the holder ceases to be employed by the Company	$0.28
March 28, 2019	30,000 previously forfeited and reissued RSUs	Employees of the Company	Vest over three years	$0.28
March 29, 2019	113,333 DSUs	Management of the Company	33.3% vest immediately and the remaining vest equally over the next two years, are only eligible to be converted into shares when the holder ceases to be employed by the Company	$0.30
March 29, 2019	236,667 DSUs	Management of the Company	Vest over three years, are only eligible to be converted into shares when the holder ceases to be employed by the Company	$0.30
March 29, 2019	776,012 RSUs	Management and employees of the Company	33.3% vest immediately and the remaining vest equally over the next two years	$0.30
March 29, 2019	1,327,238 RSUs	Management and employees of the Company	Vest over three years	$0.30
June 18, 2019	35,000 DSUs	Directors of the Company	Vest over three years, are only eligible to be converted into shares when the holder ceases to be employed by the Company	$0.18
June 18, 2019	140,000 RSUs	Directors of the Company	Vest over three years	$0.18
June 20, 2019	210,000 RSUs	Management and employees of the Company	Vest over three years	$0.18
August 7, 2019	150,000 RSUs	Directors and management of the Company	Vest over three years	$0.19
August 7, 2019	40,000 RSUs	Management and employees of the Company	Vest over three years	$0.19
August 7, 2019	100,000 RSUs	Directors of the Company	Vest over three years	$0.19
October 15, 2019	182,084 RSUs	Directors of the Company	Vest immediately	$0.13
October 15, 2019	285,417 DSUs	Directors of the Company	Vest immediately	$0.13

(in thousands of Canadian dollars, unless otherwise noted)

12. Shareholders' Equity and Earnings per Share - continued

During the year ended December 31, 2018 the Company had the following RSU and DSU grants:

Grant date	Units granted	Granted to	Vesting conditions	Fair valued based on the quoted market price of issuance per share
March 28, 2018	2,820,000 RSUs	Directors, management and employees of the Company	Vest over three years	$0.46
March 28, 2018	500,000 RSUs	Directors and management of the Company	50% vest immediately, 50% vest in one year	$0.46
May 8, 2018	100,000 RSUs	Management of the Company	50% vest immediately, 50% vest in one year	$0.255
May 8, 2018	400,000 RSUs	Management of the Company	Vest over four years	$0.255
May 9, 2018	210,000 RSUs	Directors of the Company	Vest over three years	$0.295
May 9, 2018	35,000 DSUs	Directors of the Company	Vest over three years, are only eligible to be converted into shares when the holder ceases to be employed by the Company	$0.295
August 9, 2018	125,000 RSUs	Management of AceAge	Vest immediately	$0.285
November 6, 2018	50,000 RSUs	Management of AceAge	Vest immediately	$0.26
November 6, 2018	100,000 RSUs 100,000 DSUs	Management of the Company	50% vest immediately, 50% vest in one year	$0.26
November 6, 2018	100,000 RSUs 150,000 DSUs	Directors of the Company	Vest over three years	$0.26

Issuance of warrants

The Company's outstanding and exercisable warrants are as follows for years ended December 31, 2019 and 2018:

For the year ended	**December 31, 2019**		December 31, 2018	
Share purchase warrants	**Warrants**	**Weighted average exercise price**	Warrants	Weighted average exercise price
Balance, beginning of year	**2,822,000**	**$0.76**	2,972,000	$0.81
Warrants granted	**14,908,333**	**$0.19**	850,000	$0.25
Warrants exercised	**—**	**$—**	(1,000,000)	$0.46
Balance, end of year	**17,730,333**	**$0.28**	2,822,000	$0.76
Exercisable, end of year	**16,808,333**	**$0.28**	1,900,000	$1.00

On September 4, 2018, the Company issued 850,000 warrants to the preferred cannabis partner (note 11), which vest two years after issuance and expire two years after vesting. The warrants have a strike price of $0.25 per common share.

On March 12, 2019, on the closing of the March 2019 Private Placement, 1,050,000 warrants were issued to the Company's financial advisor, with each warrant entitling the holder to acquire one common share in the capital of the Company for a period of 24 months from the closing date at an exercise price of $0.40 per common share (note 10).

On November 22, 2019, on the closing of the November 2019 Private Placement, 3,125,000 warrants were issued to the Company's financial advisor in relation to the common shares issued, with each warrant entitling the holder to acquire one common share in the capital of the Company for a period of 24 months from the closing date at an exercise price of $0.12 per common share.

(in thousands of Canadian dollars, unless otherwise noted)

12. Shareholders' Equity and Earnings per Share - continued

On November 22, 2019, on the closing of the November 2019 Private Placement, 6,333,333 warrants were issued to the Company's financial advisor in relation to the Convertible Debentures issue, with each warrant entitling the holder to acquire one common share in the capital of the Company for a period of 24 months from the closing date at an exercise price of $0.15 per common share.

On November 22, 2019, on the closing of the November 2019 Private Placement, 4,400,000 warrants were issued to Yorkville in relation to the Convertible Debentures issue, with each warrant entitling the holder to acquire one common share in the capital of the Company for a period of five years from the closing date at an exercise price of $0.25 per common share.

The fair value of the warrants issued were calculated using the Black-Scholes pricing model with the following assumptions:

Grant date	September 4, 2018	March 12, 2019	November 22, 2019	November 22, 2019	November 22, 2019
Number of warrants issued	850,000	1,050,000	3,125,000	6,333,333	4,400,000
Dividend yield	Nil	Nil	Nil	Nil	Nil
Expected volatility	67.16%	75.34%	82.11%	82.11%	73.00%
Risk-free interest rate	2.12%	1.65%	1.58%	1.58%	1.5%
Expected life in years	4.0	2.0	2.0	2.0	5.0
Strike price	$0.25	$0.40	$0.12	$0.15	$0.25
Share price at date of issue	$0.24	$0.28	$0.14	$0.14	$0.14
Fair value per warrant	$0.122	$0.085	$0.069	$0.060	$0.067

The weighted average remaining contractual life and weighted average exercise price of warrants outstanding as at December 31, 2019 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**
$0.12 -$0.14	3,125,000	$0.12	1.89	3,125,000	$0.12
$0.15 -$0.20	6,333,333	$0.15	1.89	6,333,333	$0.15
$0.21 -$0.33	5,250,000	$0.25	4.54	4,400,000	$0.25
$0.34 -$0.75	1,122,000	$0.41	1.37	1,050,000	$0.40
$0.76 -$1.00	1,900,000	$1.00	0.17	1,900,000	$1.00
Balance, end of year	**17,730,333**	**$0.28**	**2.46**	**16,808,333**	**$0.28**

Issuance of stock options

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

For the year ended	**December 31, 2019**		December 31, 2018	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of year	**1,838,750**	**$0.40**	2,347,500	$0.40
Options expired	**(148,750)**	**$0.40**	(25,000)	$0.39
Options cancelled/forfeited	**(20,000)**	**$0.40**	(483,750)	$0.35
Balance, end of year	**1,670,000**	**$0.40**	1,838,750	$0.40
Exercisable, end of year	**1,435,000**	**$0.40**	1,157,500	$0.40

(in thousands of Canadian dollars, unless otherwise noted)

12. Shareholders' Equity and Earnings per Share - continued

The weighted average remaining contractual life and weighted average exercise price of options outstanding as at December 31, 2019 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**
$0.24 -$0.30	95,000	$0.24	1.4	85,000	$0.24
$0.31 -$0.38	425,000	$0.36	1.8	300,000	$0.36
$0.39 -$0.42	750,000	$0.40	0.2	750,000	$0.40
$0.43 -$0.48	100,000	$0.44	1.9	75,000	$0.44
$0.49 -$0.52	300,000	$0.52	2.0	225,000	$0.52
Balance, end of year	**1,670,000**	**$0.40**	**1.1**	**1,435,000**	**$0.40**

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 year. Diluted earnings per share, for all years presented, was calculated based on the weighted average number of common shares outstanding and takes into account the effects of unvested common shares, share options, warrants and convertible debentures outstanding during the year. A loss per share is not adjusted for anti-dilutive instruments. The diluted weighted average calculation is based on a time weighting factor that includes all stock options, RSUs, warrants and conversion features that were issued at prices lower than the market price of the Company's common shares at the respective year-ends. These instruments were anti-dilutive for the years presented.

The following table illustrates the basic and diluted weighted average common shares outstanding for the years ended December 31, 2019 and 2018:

	For the years ended December 31,	
	2019	2018
Basic and diluted weighted average common shares outstanding	**219,536,689**	203,603,357

(in thousands of Canadian dollars, unless otherwise noted)

13. Financial Instruments, Fair Value Measurements and Financial Risk Management

As at December 31, 2019 and 2018, the Company's financial instruments consisted of cash and cash equivalents, trade and other receivables, interest rate swaps, investments, trade and other payables, contingent consideration, finance lease liabilities and borrowings.

Fair value hierarchy
Financial instruments carried at fair value have been categorized under the 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 that 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 common shares and derivative liabilities associated with convertible loans.

The following table presents the Company's financial assets (liabilities) measured and recognized at fair value as at December 31, 2019 on a recurring basis:

	Level 2 **$**	**Level 3** **$**	**Total** **$**
Contingent consideration	—	(5,865)	**(5,865)**
Derivative financial instruments	—	(2,448)	**(2,448)**
Investments	—	1,950	**1,950**
Total	**—**	**(6,363)**	**(6,363)**

The following table presents the Company's financial assets (liabilities) measured and recognized at fair value as at December 31, 2018 on a recurring basis:

	Level 2 **$**	**Level 3** **$**	**Total** **$**
Contingent consideration	—	(5,139)	**(5,139)**
Derivative financial instruments	325	—	**325**
Investments	—	1,950	**1,950**
Total	**325**	**(3,189)**	**(2,864)**

There were no non-recurring fair value measurements as at December 31, 2019. There were no financial instruments classified as Level 1 as at December 31, 2019 and 2018. There were no transfers between levels during the years ended December 31, 2019 and 2018.

Details regarding Level 3 fair value measurements for contingent consideration can be found in note 3.

There were no changes in the valuation techniques used during the years ended December 31, 2019 and 2018.

On July 4, 2017, the Company entered into an interest rate swap agreement for a notional amount of $34,000 and a fixed interest rate of 1.82% per annum (excluding the stamping fee). The interest rate swap was settled in December 2019. As at December 31, 2018, the Company had a total notional amount of $31,000 outstanding and the fair value of this swap was $325 in favour of the Company. The interest rate swap was not designated as a cash flow hedge.

(in thousands of Canadian dollars, unless otherwise noted)

13. Financial Instruments, Fair Value Measurements and Financial Risk Management - continued

The continuity of the interest rate swap asset is as follows:

	December 31, 2019	December 31, 2018
	$	$
Fair value of interest rate swap, beginning of year	**325**	280
Change in fair value of interest rate swap	**(325)**	45
Fair value of interest rate swap, end of year	**—**	325

The continuity of the embedded derivatives liability is as follows:

	December 31, 2019	December 31, 2018
	$	$
Fair value of embedded derivatives, beginning of year	**—**	—
Embedded derivatives recognized	**6,372**	—
Included in loss on financial liability extinguishment	**(1,424)**	—
Change in fair value of embedded derivatives	**(2,500)**	—
Embedded derivatives, end of year	**2,448**	—

The completed March 2019 Private Placement contained an embedded derivative liability component (note 10). The fair value of the Ewing Morris conversion option embedded derivative was calculated using the Black-Scholes pricing model using the following assumptions:

Date	March 12, 2019	November 22, 2019
Number of preferred shares	30,000,000	30,000,000
Dividend yield	Nil	Nil
Expected volatility	72.3%	74.2%
Risk-free interest rate	1.63%	1.52%
Expected life in years	5.00	4.30
Strike price	$0.40	$0.40
Share price at valuation date	$0.28	$0.14
Fair value	$0.143	$0.047

Other conversion and redemption features were determined to have nil values. Their fair values will be reassessed by the Company at each reporting date.

(in thousands of Canadian dollars, unless otherwise noted)

13. Financial Instruments, Fair Value Measurements and Financial Risk Management - continued

The Ewing Convertible Debentures contain an embedded derivative liability component (note 10). The fair value of the Ewing Morris conversion option embedded derivative is calculated using the Black-Scholes pricing model using the following assumptions:

Date	November 22, 2019	December 31, 2019
Estimated number of common shares	50,160,000	50,160,000
Dividend yield	Nil	Nil
Expected volatility	55.9%	55.3%
Risk-free interest rate	1.52%	1.68%
Expected life in years	4.30	4.19
Strike price	$0.25	$0.25
Share price at valuation date	$0.14	$0.16
Fair value	$0.042	$0.049

Other conversion and redemption features were determined to have nil values. Their fair values will be reassessed by the Company at each reporting date.

Financial instruments measured at amortized cost

The carrying value of financial assets and financial liabilities 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, 2019	December 31, 2018 (Revised - Note 22)
	$	$
Financial assets measured at amortized cost:		
Trade receivables	**12,040**	11,357
Financial liabilities measured at amortized cost:		
Trade payables and other liabilities	**17,847**	14,545
Finance lease liabilities	**8,950**	136
Liability component of Convertible Debentures	**27,742**	—
Ewing Convertible Debentures	**10,563**	—
Subordinated Facility	**11,673**	11,558
Revolving Facility	**4,690**	19,203
Finance loans	**149**	206
Term Facility	**—**	53,300
Acquisition Facility	**—**	4,982

Investment in AceAge

On August 9, 2017 the Company signed a strategic distribution and supply agreement and a strategic investment with AceAge, a Canadian corporation, for its home-based automated drug delivery appliance ("Karie"). On August 9, 2017, the Company invested $1,000 to acquire a 10% interest in AceAge, with the opportunity to invest a further $1,000 to acquire an additional 10% interest on or before the first anniversary of the agreement, contingent on certain conditions being met. The Company had the option to waive the conditions and invest within 90 days of the expiry of the first anniversary date. The Company will receive warrants worth 5% of AceAge on or before each of the first and second anniversary dates from the closing date and will have a seat on AceAge's Board of Directors for the period that it remains a shareholder.

(in thousands of Canadian dollars, unless otherwise noted)

13. Financial Instruments, Fair Value Measurements and Financial Risk Management - continued

During 2018, the Company acquired an additional 7% interest in AceAge for $700 to help fund the production of the first batch of Karie devices. The Company also received a further 2.5% interest in AceAge for its provision of certain ongoing support and consulting services. During 2019, AceAge completed several equity instrument issuances, which further increased the Company's ownership interest. As at December 31, 2019 and 2018 the Company's ownership interest in AceAge was 20.8% and 19.5%, respectively.

As at December 31, 2019 and 2018 the Company has concluded that cost is representative of the fair value of the investment and will continue to perform an assessment at each reporting date to determine if cost is still the best estimate of fair value at that time. There were no indicators of impairment as at December 31, 2019 and 2018.

Financial risk management

The Company is exposed to certain financial risks, including credit risk, liquidity risk and interest rate risk. The following is a description of those risks and how the exposures are managed:

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 government agencies, employers, insurance companies and individual patients.

Trade receivables aging (net of provision) was as follows:

	December 31, 2019	December 31, 2018
	$	$
0-30 days	**10,193**	9,510
31-60 days	**883**	883
61-90 days	**195**	195
Over 90 days	**769**	769
	12,040	11,357

Included in trade and other receivables at December 31, 2019 are $4,579 (2018 - $5,042) of amounts receivable from government funding related to product sales and services rendered.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, historical credit losses and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

	December 31, 2019	December 31, 2018
	$	$
Provision, beginning of year	**218**	200
Amounts classified as held for sale	**—**	(6)
Provision for receivables impairment	**191**	142
Write-offs charged to the valuation allowance	**(39)**	(118)
Provision, end of year	**370**	218

(in thousands of Canadian dollars, unless otherwise noted)

13. Financial Instruments, Fair Value Measurements and Financial Risk Management - continued

The Company's cash and cash equivalents 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 may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash, another financial asset or equity instrument. To the extent the Company does not believe it has sufficient liquidity to its meet obligations, it will consider obtaining waivers of its covenants under its Credit Facilities, generating funds from additional sources of financing or other strategic alternatives, including the sale of assets. The Company's liquidity may be adversely affected if its access to the capital and debt markets is hindered, whether as a result of a downturn in market conditions generally, or as a result of conditions specific to the Company.

If any of these events were to occur, they could adversely affect the financial performance of the Company.

The following table presents the contractual terms to maturity of the financial liabilities owned by the Company as at December 31, 2019:

	Total	2020	2021-2022	2023-2024
	$	$	$	$
Trade payables and other liabilities	**18,563**	18,563	—	—
Convertible Debentures	**27,500**	27,500	—	—
Ewing Convertible Debentures	**12,540**	—	—	12,540
Subordinated Facility	**11,673**	11,673	—	—
Revolving Facility	**4,690**	4,690	—	—
Finance loans	**149**	55	55	39
Finance leases	**9,133**	2,206	3,991	2,936
Interest payments on borrowings	**18,946**	5,329	10,229	3,388
Contingent consideration	**5,865**	3,413	2,452	—
Total	**109,059**	**73,429**	**16,727**	**18,903**

In March 2020, the Company signed binding commitment letters with Crown Capital and Yorkville to advance total facilities of up to $30,000 and $12,000, respectively, to refinance the Company's existing Credit Facilities and finance the Remedy's acquisition (note 1).

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 and Term Facility, whose interest rates are based on the prime rate. This risk was partially mitigated by the Company's interest rate swap.

As at December 31, 2019, a 1% change in the variable interest rates on the average balances for the year ended December 31, 2019 would have resulted in an annualized change in interest expense of $327 (2018 - $424).

Currency risk

Virtually all of the Company's transactions are denominated in Canadian dollars. As at December 31, 2019 and December 31, 2018, the Company held no significant financial instruments that were denominated in a currency other than Canadian currency.

(in thousands of Canadian dollars, unless otherwise noted)

14. Related Party Transactions and Balances

A collective group of officers and directors own 80,289,298 common shares or approximately 27.88% of the issued and outstanding common shares of the Company as at December 31, 2019. This ownership percentage disclosed assumes the issuance of 4,054,232 escrowed and restricted shares in the total common shares considered to be outstanding.

In the normal course of operations, the Company may enter into certain related party transactions, which may include transactions entered into with Company directors and management. All related party transactions would be for consideration established with the related parties, generally on market terms, and approved by the independent non-executive directors of the Company, including the transactions described below.

One of the former Board members, who ceased to be a member of the Board during the year ended December 31, 2019, was assisting management on an interim basis. Included in the results for the year ended December 31, 2019 are $90 (2018 - $180) of consulting fees related to this arrangement that were paid while they were still a member of the Board.

On March 29, 2018, one of the Board members exercised 1,000,000 warrants at a $0.46 exercise price and received 1,000,000 common shares in exchange for $460 in proceeds (note 12).

In addition, certain directors help manage funds that own the Convertible Debentures, Ewing Convertible Debentures and common shares issued on November 22, 2019 (note 10).

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 are shown below.

	For the years ended December 31,	
	2019	2018
	$	$
Salaries and benefits	**1,402**	929
Share-based payments	**289**	226
Director fees	**563**	565
Total	**2,254**	1,720

15. General and Administrative Expenses

The components of general and administrative expenses are as follows:

	For the years ended December 31,	
	2019	2018 (Note 21)
	$	$
Employee costs	**11,110**	11,707
Other operating expenses	**13,234**	13,541
Corporate office expenses	**5,660**	5,567
Depreciation and amortization	**9,187**	7,285
Share-based compensation expense	**2,298**	3,003
(Gain) loss on disposal of property, equipment and intangible assets	**(2)**	14
Total	**41,487**	41,117

(in thousands of Canadian dollars, unless otherwise noted)

16. Transaction, Restructuring and Other Costs

Transaction, restructuring and other costs are expensed as incurred. Transaction costs are comprised primarily of legal, consulting, due diligence and other professional fees directly related to business combinations and divestitures. 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 and other costs include legal, consulting and other professional fees associated with business restructuring, costs associated with new customer contract implementation, as well as severance and other costs associated with corporate reorganization and other staffing reductions.

Transaction, restructuring and other costs for the years ended December 31, 2019 and 2018 consist of the following:

	For the years ended December 31,	
	2019	2018
	$	$
Transaction and start-up costs	**1,757**	367
Restructuring and other costs	**1,406**	4,010
Total	**3,163**	4,377

As at December 31, 2019, the Company had accrued liabilities from continuing operations related to severance of $716 (2018 - $1,183) included in trade payables and other liabilities consisting of the following:

	Severance
	$
Balance at December 31, 2018	**1,183**
Additions	920
Payments	(1,387)
Balance at December 31, 2019	**716**

(in thousands of Canadian dollars, unless otherwise noted)

17. Finance Costs, Net

Finance costs, net for the years ended December 31, 2019 and 2018 is comprised of the following:

	For the years ended December 31,	
	2019	2018 (Note 22)
	$	$
Interest on Term Facility	**4,290**	3,869
Accretion on Term Facility	**1,341**	3,279
Interest on Subordinated Facility	**2,016**	1,313
Accretion on Subordinated Facility	**386**	703
Interest on Revolving Facility	**1,137**	1,211
Interest on Acquisition Facility	**384**	318
Interest on finance leases	**998**	12
Interest on Convertible Debentures	**242**	—
Accretion on Convertible Debentures	**12,404**	—
Interest on March 2019 Private Placement	**741**	—
Accretion on March 2019 Private Placement	**382**	—
Interest on Ewing Convertible Debentures	**110**	—
Accretion on Ewing Convertible Debentures	**5**	—
Gain on interest rate swap	**(90)**	—
Loss on financial liability extinguishment (note 10)	**3,024**	—
Total	**27,370**	10,705

18. 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 and the completion of acquisitions or divestitures. 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.

19. 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,	
	2019	2018
	$	$
Trade and other receivables	**(1,028)**	1,967
Inventories	**(525)**	1,273
Prepaid expenses	**252**	(357)
Trade payables and other liabilities	**1,159**	(4,415)
Total	**(142)**	(1,532)

20. Capital Management

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, which primarily operates in an environment in which government regulations and funding play a key role. The Board establishes a 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 borrowings and contingent consideration. In addition to the cash flows 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 and continue its operations as a going concern. In order to maintain or adjust its capital structure, the Company may seek financing through the issuance of securities such as equity, convertible debentures or subordinated debt, or by replacing existing debt with debt on terms more consistent with the Company's needs.

21. Discontinued Operations

The results from discontinued operations below have been segmented to align with the historical operating segments of the Company. The composition of segmented discontinued operations is as follows:

- **Pharmacy** discontinued operations includes three retail pharmacy operations located in Medicine Hat, Alberta, Richmond, British Columbia, and Grande Prairie, Alberta.
- **Surgical and Medical Centres** discontinued operations includes the Surgical and Medical Centres operating segment. The Surgical and Medical Centres operating segment includes one of Canada's largest independent surgical providers with five facilities across four provinces, as well as the Performance Orthotics business in Ontario, which remained held for sale at December 31, 2019.

On September 30, 2018, the Company completed the sale of the assets of a retail pharmacy operation in Richmond, British Columbia, for $166, resulting in a gain on sale of $17.

On February 14, 2019, the Company completed the sale of the assets of the retail pharmacy operation in Medicine Hat, Alberta, for proceeds of $2,286, resulting in a gain on sale of $357. Transaction costs incurred related to the sale of the assets were $122.

On June 23, 2019 the Company completed the sale of the assets of the retail pharmacy operation in Grand Prairie, Alberta, for proceeds of $2,127, resulting in a gain on sale of $267. The transaction costs incurred related to the sale of the assets were $64.

On November 26, 2019, the Company completed the sale of its wholly-owned subsidiaries, which represented the net assets of the Company's Surgical and Medical Centres business for proceeds of $35,000 minus working capital adjustment, resulting in a gain on sale of $16,040. The transaction costs incurred related to the sale of the subsidiaries were $1,494.

(in thousands of Canadian dollars, unless otherwise noted)

21. Discontinued Operations - continued

The continuity of assets and liabilities of the disposal groups held for sale is as follows:

	Held for sale as at December 31, 2018			Held for sale as at December 31, 2019			
	Pharmacy $	Surgical and Medical Centres $	As at December 31, 2018 $	Movements $	Pharmacy Assets Sold $	Surgical and Medical Centres Net Assets Sold $	As at December 31, 2019 $
Accounts receivable	—	2,466	2,466	(191)	—	(2,257)	18
Inventory	156	1,167	1,323	31	(246)	(1,108)	—
Prepaid expenses	—	201	201	51	—	(206)	46
Property and equipment	13	3,823	3,836	8,176	(127)	(11,591)	294
Intangible assets	583	2,919	3,502	608	(1,199)	(2,911)	—
Deferred tax assets	—	662	662	(575)	—	(87)	—
Goodwill	1,079	11,234	12,313	(23)	(2,104)	(10,186)	—
Total Assets of Disposal Groups Held For Sale	**1,831**	**22,472**	**24,303**	**8,077**	**(3,676)**	**(28,346)**	**358**
Trade payables and other liabilities	—	3,200	3,200	987	—	(4,130)	57
Deferred lease incentives	—	653	653	(653)	—	—	—
Finance leases	—	8	8	7,854	—	(7,568)	294
Deferred tax liabilities	—	324	324	44	—	(361)	7
Total Liabilities of Disposal Groups Held For Sale	**—**	**4,185**	**4,185**	**8,232**	**—**	**(12,059)**	**358**

Included in trade and other receivables as at December 31, 2019 are $6 (December 31, 2018 - $421) of amounts receivable from government funding related to services rendered.

During the year ended December 31, 2019, the Company recorded impairment charges of $1,742 related to the Performance Orthotics CGU. On January 1, 2020, the Company completed the divestiture of its 75% ownership interest in the Performance Orthotics business for nominal proceeds.

(in thousands of Canadian dollars, unless otherwise noted)

21. Discontinued Operations - continued

Results from discontinued operations

The results from discontinued operations for the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31, 2019		
	Pharmacy $	Surgical and Medical Centres $	Total $
Revenue	2,649	35,379	**38,028**
Expenses	2,453	32,310	**34,763**
Depreciation and amortization	138	—	**138**
Impairments	—	1,742	**1,742**
Gain on sale of business	(624)	(16,040)	**(16,664)**
Interest expense	—	793	**793**
Income before income taxes from discontinued operations	**682**	**16,574**	**17,256**
Income tax expense	—	886	**886**
Net income from discontinued operations	**682**	**15,688**	**16,370**

	Year ended December 31, 2018		
	Pharmacy $	Surgical and Medical Centres $	Total $
Revenue	7,148	43,679	**50,827**
Expenses	6,611	37,548	**44,159**
Depreciation and amortization	530	1,831	**2,361**
Impairments	2,000	—	**2,000**
Gain on sale of business	(17)	—	**(17)**
Income (loss) before income taxes from discontinued operations	**(1,976)**	**4,300**	**2,324**
Income tax expense (recovery)	(27)	481	**454**
Net income (loss) from discontinued operations	**(1,949)**	**3,819**	**1,870**

The cash flows from discontinued operations for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31,	
	2019	2018
	$	$
Operating cash flows	**2,363**	5,346
Investing cash flows	**(299)**	(368)
Financing cash flows	**(1,546)**	(379)
Total cash flows	**518**	4,599

(in thousands of Canadian dollars, unless otherwise noted)

22. Revision of Prior Period Comparatives

A review of the Company's application of IFRS 9 on the modifications of its credit agreements was undertaken in the first quarter of 2019. Upon completing this review, the Company revised its December 31, 2018 comparative financial statements to reflect an understatement of its borrowing liability of $3,320 as a result of overstatements to the unaccreted discounts on its Term Facility and Subordinated Facility. This understatement resulted in a corresponding understatement of interest expense (accretion expense) of $3,320, an understatement of deferred tax assets of $896 and an associated understatement of income tax recoveries of $896.

The Company assessed the materiality of this adjustment and concluded that it was not material to any of the previously issued consolidated financial statements. As a result, the Company revised comparative balances in these statements for these changes. The factors that it considered when assessing materiality were that: the changes did not have an impact on the Credit Facilities; there was no impact to the Company's financial covenants; these adjustments were non-cash in nature; there were no changes to the consolidated statement of cash flows for the total impact on operating, investing and financing activities; there was no impact on the Company's assessment of going concern or classification of borrowings as a current liability; there was no impact to revenue; and there was no impact to management's compensation (i.e., performance targets).

The following tables present the effect of this correction on individual line items within the Company's consolidated statements of financial position as at December 31, 2018, consolidated statement of income and comprehensive income for the year ended December 31, 2018 and consolidated statement of changes in equity for the year ended December 31, 2018. The Company also made certain presentation changes to the earnings per share to better reflect the impact from continuing operations and earnings for the period, which are reflected below. There was no impact of these changes to the consolidated statement of financial position as at January 1, 2018 and accordingly the presentation of an opening consolidated statement of financial position was not considered necessary.

Adjustments to the Consolidated Statements of Financial Position and Consolidated Statements of Changes in Equity

	As at December 31, 2018		
	As previously reported	**Adjustments**	**As revised**
Deferred income tax assets	5,194	896	6,090
Current portion of borrowings	85,778	3,320	89,098
Deficit	(170,222)	(2,424)	(172,646)

Adjustments to the Consolidated Statements of Income and Comprehensive Income

	For the year ended December 31, 2018		
	As previously reported	**Adjustments**	**As revised**
Interest expense	7,385	3,320	10,705
Income tax recovery	(3,326)	(896)	(4,222)
Net loss from continuing operations	(34,388)	(2,424)	(36,812)
Net loss	(31,093)	(2,424)	(33,517)
Net loss from continuing operations attributable to shareholders of Centric Health Corporation	(34,388)	(2,424)	(36,812)
Basic and diluted earnings per common share attributable to shareholders of Centric Health Corporation:			
From continuing operations	($0.17)		($0.18)
From earnings for the year	($0.15)		($0.17)