Management's Discussion and Analysis

For the Three and Six Months ended June 30, 2011

Dated August 10, 2011

Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2011

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

The following is a discussion of the consolidated financial position and the income and comprehensive income of Centric Health Corporation, ("Centric" or "Company") for the three and six months ended June 30, 2011 and 2010 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 unaudited interim consolidated financial statements and notes thereto for the three and six months ended June 30, 2011 and 2010. The unaudited interim consolidated financial statements for the three and six months ended June 30, 2011 and 2010 are prepared in accordance with International Financial Reporting Standards ("IFRS") which became effective on January 1, 2011 with retroactive application to January 1, 2010. The Company's significant accounting policies are summarized in detail in note 3 of the interim consolidated financial statements for the periods ended June 30, 2011 and 2010. Unless otherwise specified, amounts reported in this MD&A are in thousands, except shares and per share amounts and percentages. The following MD&A is presented as of August 10, 2011. All amounts are disclosed in Canadian dollars. Additional information about the Company, including the most recently filed Annual Information Form, is available on www.sedar.com.

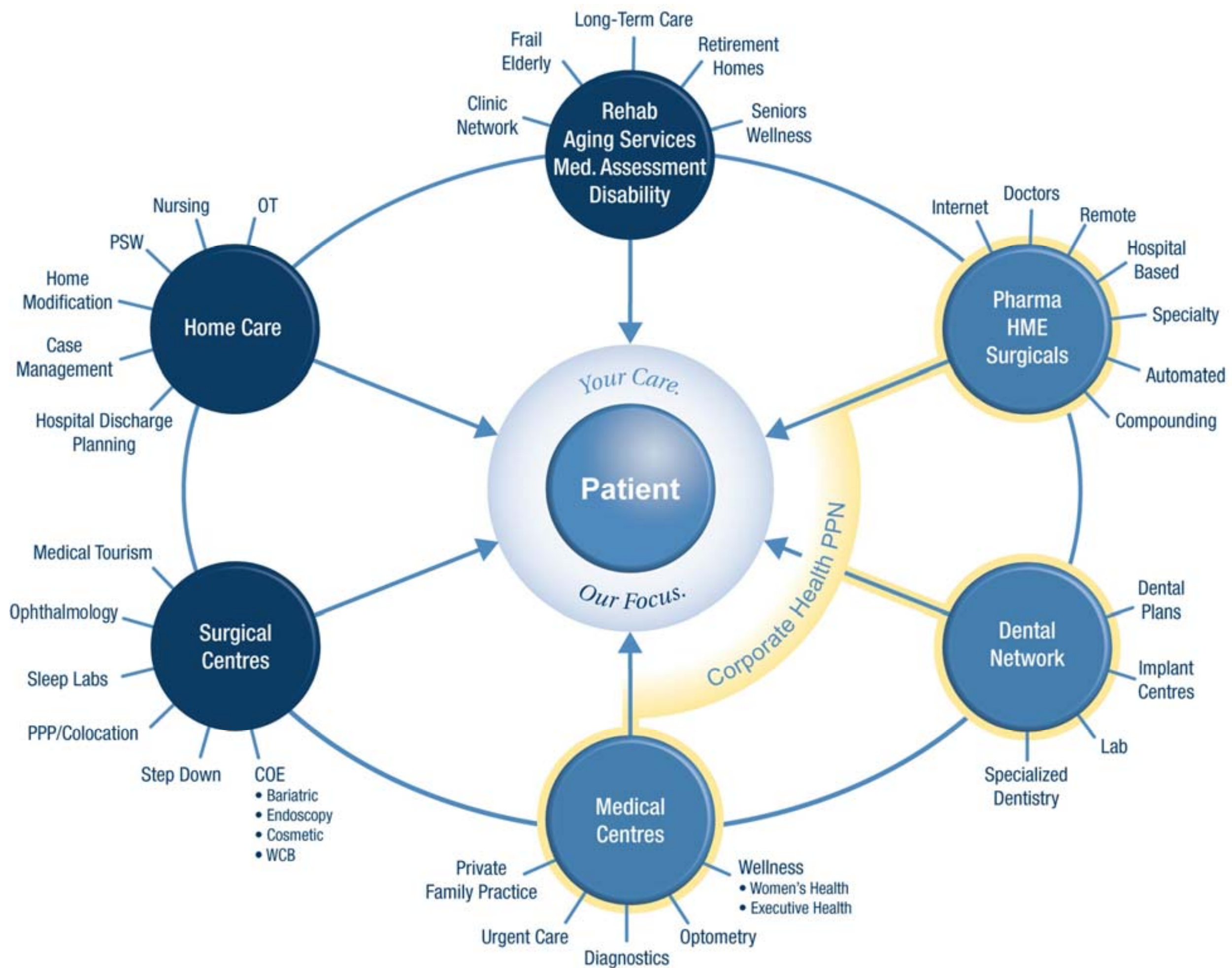
Highlights during and subsequent to the Quarter Ended June 30, 2011

- On June 9, 2011, the Company completed its acquisition of LifeMark Health LP ("LifeMark") adding to its portfolio of physiotherapy, assessment and surgical clinics across Canada;
- Revenue increased 111% to $33.6 million, as compared to $15.9 million in the comparable quarter of 2010;
- Gross profit increased by 137% to $14.9 million, as compared to $6.3 million in the comparable quarter of 2010;
- Adjusted EBITDA[1] increased 32% to $3.2 million, as compared to $2.4 million in the comparable quarter of 2010;
- Subsequent to June 30, 2011, the Company announced its intention to acquire 75% of Performance Orthotics Inc., Footcare Dispensary Inc., and Foot Stress Inc. (collectively "Performance Medical Group") for $3 million in cash on closing;
- Subsequent to June 30, 2011, the Company acquired all of the shares of GHIS Capital upon the issuance of 3.5 million common shares. This simplified the Company's corporate structure by eliminating GHIS Capital's entitlement to participate in the Company's expansion into new health care sectors;
- Impact of IFRS Adoption: The significant impact of adoption of IFRS for the Company during the three months ended June 30, 2011, are the following:
    - The Company recognized a non-cash gain of approximately $16.0 million, representing the decrease in fair value of its share-based business acquisition contingent purchase consideration;
    - The Company has recognized a liability on its statement of financial position related to contingent consideration of $149.9 million. Of this amount, $142.7 million is payable in shares and warrants of the Company. Once the shares are issued, or released from escrow, these liabilities will be settled with a corresponding increase in equity on the Company's statement of financial position. Under previous Canadian GAAP, contingent consideration was not recognized until earned and formed part of the cost of the acquisition; and,
    - The Company expensed $2.7 million in transaction costs related to its acquisition activities for the three month period ended June 30, 2011. Under Canadian GAAP these amounts were deferred and recognized as part of the purchase price of an acquisition.

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

Business Overview

Centric Health Corporation is a Canadian healthcare services company. Through the Company's various operating segments, Medical Assessments and Rehabilitation, Eldercare and Homecare, Surgical and Medical Centres, Pharmacy and Home Medical Equipment, the Company generates its revenues by providing healthcare services, disability management, third-party medical assessments, physiotherapy network management, specialty pharmacy, and surgical services to its patients, and homecare and physiotherapy services to long-term care and retirement home residents, and sales of home medical equipment. Centric is pursuing a diversified approach and an acquisition strategy to become Canada's premier healthcare company that provides innovative solutions centered on patients and healthcare professionals.



Business Outlook and Strategy

Centric Health is pursuing a strategy of expansion and growth through mergers and acquisitions as well as from organic growth opportunities. This expansion and diversification is primarily into healthcare sectors which, not only demonstrate compelling growth prospects in and of themselves, but also present synergies, rationalization and cross-pollination benefits in creating meaningful stakeholder value with an overarching focus on quality care to our patients.

The Company successfully completed the acquisition of LifeMark on June 9, 2011. Operational results include the results of the LifeMark businesses from the date of acquisition on June 9, 2011, to June 30, 2011. LifeMark specializes in elder care, rehabilitation and disability management services, medical assessments, occupational health and the sale of home medical devices and equipment. LifeMark's business includes 120 physiotherapy, rehabilitation and assessment clinics, elder care services to 115 long-term care and retirement homes in Ontario, surgical services through its wholly-owned subsidiary, Canada Surgical Solutions ("CSS") and medical equipment corporate-owned retail stores and franchises across Canada under the brand name MediChair. This acquisition brings extensive growth for the Company in Western Canada for physiotherapy services and in surgical centres as well as Centric's first medical equipment retail outlets. CSS expands Centric's surgical offerings into Calgary, Alberta and operates a fully accredited, 13,000 square foot, surgical facility.

In line with the Company's strategy to expand into Surgical and Medical centres, the Company acquired SSI on January 19, 2011. SSI is the owner and operator of two of Canada's leading ambulatory healthcare facilities, False Creek Surgical Centre in Vancouver ("FCSC") and Maples Surgical Centre in Winnipeg ("MSC"). Details of the transaction and the results of SSI's second quarter and year-to-date operations are described in the Company's unaudited interim financial statements for the three and six months ended June 30, 2011. Further to this strategy, on May 19, 2011, the Company announced its intention to acquire Blue Water Surgical Centre Ltd., Blue Water Rejuvenation Inc., Blue Water Diagnostics Ltd. and Windsor Endoscopy Centre Ltd (collectively the "Blue Water surgical and medical centres"), including the London Scoping Centre, that provide surgical and scoping procedures in the Sarnia, Windsor and London, Ontario areas.

On June 27, 2011, the Company announced that it entered into a definitive asset purchase agreement to acquire the assets of Dedicated National Pharmacies Inc. ("DNPI"). The business represents a network of ten specialty pharmacies across Ontario supporting treatment and care for patients undergoing addiction treatment. The addition of DNPI is a strategic acquisition that will develop a network of specialty and niche pharmacies.

Centric's quarterly performance reflects the addition of the LifeMark business from the date of acquisition on June 9, 2011, for a total of 22 days of operations. It is expected that organic growth, as well as, rationalization opportunities resulting in reduced corporate and operating costs will be realized over the next several quarters. The elder care division posted record revenues and EBITDA[2] by adding to the number of homes and beds serviced, as well as containing its direct costs. Disability management revenues, prior to the addition of the LifeMark assessment business, were lower than the same quarter in the prior year, largely due to the impact of regulatory reform in 2010. The increased revenue in the quarter is primarily due to the contribution of the acquired businesses in 2011.

Segment Overview

Medical Assessments and Rehabilitation

The Medical Assessments and Rehabilitation segment is comprised of the businesses of Centric Disability Management Inc. ("CDM"), the assessment divisions of LifeMark ("LMA"), the physiotherapy clinic network managed by Active Health Services Ltd. ("Active Health") and the 120 physiotherapy clinics owned and operated by LifeMark ("LM Clinics"). CDM, LMA, the Active Health network and LM Clinics are preferred vendors to a number of Canadian insurance companies and CDM's occupational rehabilitation programs are accredited by the Commission on Accreditation of Rehabilitation Facilities.

[2] EBITDA is a non-GAAP measure defined as earnings before interest, depreciation and amortization, taxes and stock-based compensation.

CDM and LMA provide specialized medical assessment and rehabilitation services to individuals disabled as a result of work-related or motor vehicle injuries, as well as those suffering short and long-term disabilities that affect their day-to-day ability to function and work.

CDM has positioned itself as a premier provider of disability management services, rehabilitation services and vocational assessments. Work Able Centres, a predecessor company to CDM, pioneered the use of work-simulated facilities in Canada to support functional recovery and promote return to work; and has created a formidable critical injury assessment division. CDM presently has five facilities currently occupying a total of 28,795 square feet of leased space in Toronto, Barrie and Mississauga, Ontario as well as Halifax, Nova Scotia and Fredericton, New Brunswick. These facilities are equipped with state of the art assessment, rehabilitation and work simulation tools and systems.

CDM employs 115 staff and approximately 750 independent third party consultants including physicians from across a number of specialty practice areas, psychologists, occupational health nurses, physiotherapists, occupational therapists, cognitive behavioral therapists, kinesiologists and vocational evaluators.

The Active Health clinic network focuses mainly on treating patients who have suffered motor vehicle and workplace injuries by providing rehabilitation services. Through relationships with insurers and providers, Active Health is providing a superior service to its clients and patients by promoting best practice rehabilitative treatment plans and constantly compiling and analyzing data on patient outcomes.

The LM Clinics offer physiotherapy to patients referred from insurance companies and medical practitioners. LM and LMA employs over 2,000 physiotherapy professionals and support staff in their clinic locations. LM operates 120 clinics across Canada, excluding Quebec. LMA has assessment clinics in twelve locations across Canada, seven in Ontario, three in BC and two in Alberta.

Eldercare and Homecare

The Eldercare and Homecare ("Eldercare") segment is comprised of the eldercare operations of Active Health and LifeMark and the homecare division operated by Community Advantage Rehabilitation Inc. ("CAR"). Eldercare specializes in high quality rehabilitation and disability management services that focus on physiotherapy and elder care. The elder care business provides physiotherapy services to 449 retirement, assisted-living and long-term care homes operating in the province of Ontario through its network of independent consultants. The majority of these services are paid for by the Ontario Ministry of Health and Long Term Care ("MOHLTC").

The Company's completion of the LifeMark acquisition on June 9, 2011, added 115 homes and 12,174 beds to the Eldercare division.

CAR performs homecare services in the community funded by the Community Care Access Centre ("CCAC") through the MOHLTC. CAR engages occupational therapists, physiotherapists, registered dieticians and social workers to fulfill these services. CAR operates in the Central East CCAC, with an office in Whitby, Ontario.

Pharmacy

On October 1, 2010, the Company acquired two pharmacies located in Newmarket, Ontario. The pharmacies operate retail pharmacy locations and service patients in the community of the regional healthcare centre and medical buildings in which they operate.

The proposed DNPI acquisition, more fully described in the Proposed Transactions, represents a strategic acquisition in line with expanding the Pharmacy segment.

Surgical and Medical Centres

The Surgical and Medical Centres segment is comprised of the operations of Don Mills Surgical Unit Ltd. ("DMSU"), Surgical Spaces Inc. ("SSI"), and Canadian Surgery Solutions ("CSS"). CSS was acquired on June 9, 2011, in the LifeMark transaction and performs primarily orthopaedic surgical procedures from its fully accredited, 13,000 square foot, non-hospital surgical facility in Calgary, Alberta. CSS has general, orthopaedic and plastic surgeons on its roster and performs approximately 1,200 day surgeries in addition to its inpatient surgical procedures, annually.

DMSU is an accredited, Toronto-based hospital operating since 1966 under Ontario's Private Hospitals Act and licensed by the MOHLTC. DMSU specializes in a mix of surgical services. Affiliated surgeons maintain active practices within their specialty areas and are members of the Royal College of Physicians and Surgeons. DMSU provides services from a leased 7,381 square foot Toronto-based facility that includes two fully-equipped operating theatres, one procedure room, a central nursing station and physician's offices. The hospital is licensed to service 20 overnight stay beds. During the six months ended June 30, 2011, the Company began operations of the sleep clinic at the DMSU location. DMSU retains full-time, part-time and casual nursing and administrative staff of 18 people.

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

In line with its acquisition strategy, the Company is pursuing the acquisition of Blue Water surgical and medical centres more fully described in Proposed Transactions.

Selected Financial Information

The following selected financial information for the three and six months ended June 30, 2011, and 2010, has been derived from the unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2011, and should be read in conjunction with those financial statements and related notes. The results of LifeMark have been included for the 22 days of June after the closure of the acquisition transaction. Non-IFRS measures are defined and reconciled in the section immediately following the selected financial information.

	Three months ended June 30,			Six months ended June 30,		
	2011	2010		**2011**	2010	
	$	$	% Chg	**$**	$	% Chg
Revenue	**33,596**	15,927	110.9 %	**56,631**	29,667	90.9 %
Gross profit	**14,884**	6,293	136.5 %	**23,881**	11,561	106.6 %
% of revenue	**44.30%**	39.50%	NM	**42.20%**	38.90%	NM
Operating margin	**5,142**	3,641	41.2 %	**8,949**	6,320	41.6 %
% of revenue	**15.3%**	22.9%	NM	**15.8%**	21.3%	NM
Income before interest expense and income taxes	**15,320**	1,985	671.8 %	**9,253**	3,530	162.1 %
Adjusted EBITDA[3]	**3,219**	2,444	31.7 %	**5,416**	4,291	26.2 %
Per share - basic ($)	**$0.040**	$0.040	0.0 %	**$0.073**	$0.070	(4.3) %
Per share – diluted ($)	**$0.031**	$0.035	(11.4) %	**$0.057**	$0.060	(5.0) %
Current income tax expense	**466**	563	(17.2) %	**604**	1,003	(39.8) %
Deferred income tax expense	**160**	103	55.3 %	**392**	166	136.1 %
Net income	**12,955**	1,037	1,149.3 %	**5,882**	1,902	209.3 %
Per share ($) – basic	**$0.161**	$0.017	847.1 %	**$0.079**	$0.031	154.8 %
Per share ($) – diluted	**$0.126**	$0.015	740.0 %	**$0.062**	$0.027	129.6 %
EBITDA	**16,469**	2,299	616.4 %	**11,265**	4,142	172.0 %
Weighted average shares outstanding	**80,525**	61,199	31.6 %	**74,298**	61,099	21.6 %
Shares outstanding June 30, 2011	**140,446**	62,090	126.2 %	**140,446**	62,090	126.2 %

NM – Not meaningful

[3] Defined in Reconciliation of Non-IFRS Measures

Reconciliation of Non-IFRS Measures

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

EBITDA and Adjusted EBITDA

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Net income	**12,955**	1,037	**5,882**	1,902
Amortization	**587**	130	**1,035**	224
Interest expense	**1,739**	282	**2,375**	459
Stock-based compensation	**562**	184	**977**	388
Income taxes	**626**	666	**996**	1,169
EBITDA	**16,469**	2,299	**11,265**	4,142
Transaction costs relating to acquisitions	**2,734**	145	**3,681**	149
Change in fair value of contingent consideration liability	**(15,984)**	–	**(9,530)**	–
Adjusted EBITDA	**3,219**	2,444	**5,416**	4,291
Basic weighted average number of shares	**80,525**	61,119	**74,298**	61,099
Adjusted EBITDA per share (basic)	**$ 0.040**	$ 0.040	**$ 0.073**	$ 0.070
Fully diluted weighted average number of shares	**102,746**	69,416	**95,388**	70,911
Adjusted EBITDA per share (diluted)	**$ 0.031**	$ 0.035	**$ 0.057**	$ 0.060

Results of Operations

Revenues

The Company's consolidated revenue for the three months ended June 30, 2011 increased by 111% or $17,669 to $33,596 over the comparable period in the prior year. The increase was due to growth from acquisitions. Revenue growth from the current year acquisitions of LifeMark was $10,975, and SSI was $4,803, and the acquisitions of the prior year from CAR of $1,186 and Pharmacy of $1,057. The balance of the change in revenue is a net decrease of $352 from existing businesses.

Revenue for the six months ended June 30, 2011 increased by 91% or $26,964 to $56,631. This increase was primarily due to contribution from the LifeMark acquisition as stated above, revenue from SSI of $9,593, revenue from the acquisitions completed in 2010 of $2,437 and $2,135 from CAR and Centric Pharmacy, respectively, and $3,992 from the Active Eldercare division. Revenue from the CDM business decreased $2,278 from the prior year attributable to the higher referral volume and associated revenues in the prior year, due to the implementation of regulatory reforms enacted in September 2010. In addition, revenue was lower in the period due to changes to the case-mix and effects of price caps imposed by such reforms. Management has worked diligently to make cost-effective changes in the division to maintain profit margins. The Company is aggressively pursuing revenue generating opportunities with auto insurers and workers compensation boards.

Elder care and homecare services revenue is comprised of fees charged to patients, insurance providers and government insurance plans and agencies for treatment services rendered in long-term care and retirement homes as well as occupational therapy, nursing, social work and home care to children and adults through the CCAC. In the six months ended June 30, 2011, the Active Eldercare division added over 4,200 beds serviced which contributed additional revenue of $1,853 compared to the same period in the prior year, the balance of the increased revenues of $2,139 in the Eldercare division was due to increased utilization from existing homes.

Independent medical assessment and rehabilitation revenue is comprised of fees for services rendered to auto insurers, workers compensation boards and employers for independent medical evaluations of a patient's injuries and the impact on their ability to live and work, and for rehabilitative services rendered through physiotherapy clinics.

Pharmacy revenue is derived from sales of prescription drugs and over-the-counter and sundry retail items. These revenues are paid by insurance plans or directly from the patient. Pharmacy revenue has remained steady in the three months ended June 30, 2011 compared to the three months ended March 31, 2011. The pharmacy segment began operations October 1, 2010 and therefore does not have comparative data from the comparable periods in the prior year.

Surgical and medical revenues are comprised of fees for surgeries, consultations, diagnostic studies and procedures booked through our facilities, and for the use of the facilities by third parties such as medical practitioners with outside practices and government agencies such as regional health authorities.

Home medical equipment revenue is derived from retail sales through the MediChair corporate-owned stores across Canada and royalties earned through the MediChair franchisees. MediChair sells wheelchairs, ramps, lift chairs, mobility scooters, walkers and other home medical equipment. The revenues for MediChair from June 9, 2011 through June 30, 2011 were included in the interim consolidated financial statements.

Expenses

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

Cost of services and supplies for the three months ended June 30, 2011 was $18,712, which was an increase of $9,078 compared to the prior period driven by the increase in revenues and acquired businesses. For the three months ended June 30, 2011, gross profit, expressed as revenue less cost of services and supplies, was $14,884 or

44% of revenues. Compared to the same period of the prior year, gross profit was $6,293 or 40% of revenues. The increase in gross profit of $8,591 was driven by acquisitions, the increased revenues in the elder care division and the performance from acquired businesses of LifeMark and SSI. As a percentage of revenue, gross profit improved from the same period in the prior year and from the prior quarter in the current year. This increase is due to the new acquisitions, the cost structures of SSI and LifeMark which have higher gross margins and the mix of revenues from the various segments which has impacted the overall results.

Cost of services and supplies for the six month period ended June 30, 2011 was $32,750, which was an increase of $14,644 over the same period in the prior year. The increased costs are in line with the acquired businesses during the year. Gross profit for the six months ended June 30, 2011 was $23,881 or 42% of revenues compared to $11,561 or 39% in the six months ended June 30, 2010.

Employee costs include salaries and benefits of employees working directly in each business segment.

Direct operating costs include occupancy costs, insurance, communications and other costs incurred directly within each operating segment.

Operating margin, expressed as gross profit less employee costs and other direct costs, for the three months ended June 30, 2011 increased by $1,501 to $5,142 compared to $3,641 in the prior year. This increase was largely due to higher revenue, however, operating margin represented as a percentage of revenue dropped to 15% from 23% in the prior year. This is largely due to the higher cost structure of the acquired businesses at the end of 2010 and SSI in the current year. In addition, the integration of the LifeMark acquisition is in its early stages and cost savings and rationalization between operations have not been realized at this time. It is the expectation of management that significant savings can be achieved through implementation of cost-savings initiatives at the operational and corporate levels.

Operating margin for the six months ended June 30, 2011 increased by $2,629 to $8,949 compared to $6,320 in the prior year. This increase was primarily due to the acquired businesses in 2011; however, operating margin as a percentage of revenue dropped to 16% from 21% for the six month period in the prior year. This is due to the added cost structures of the acquired businesses. Management is working towards effective cost savings and rationalization strategies between the acquired businesses and the existing businesses. These savings will be realized in the next several quarters.

Corporate administrative expenses for the three months ended June 30, 2011 were $1,923 which was $726 higher than the comparative period in the prior year. This increase resulted primarily from higher compensation costs associated with the hiring of increased administrative staff and CEO of $380. Included in the increased overhead are additional audit, legal and consulting fees of $106, and other administrative costs of $240 due primarily to the marked increase in corporate and acquisitions activities over the period. Corporate administrative expenses as a percentage of revenue have dropped to 5.7% from 7.5% for the same period in the prior year.

Corporate administrative expenses for the six months ended June 30, 2011 were $3,533 which was $1,504 higher than the comparative period in the prior year. Of this amount, $717 relates to additional salary and benefits of additional administrative staff and CEO for the business, higher professional fees of $336 related to audit, legal and consulting fees and an additional $203 related to the GHIS fees earned in the period. As a percentage of revenue, corporate administrative expenses have remained steady at 6.2% from the prior period.

Stock-based compensation, a non-cash expense, increased by $378, to $562, in the three months ended June 30, 2011. This expense is largely related to the vesting of options granted from time to time and the amortization of the expense related to the restricted shares issued to the CEO at the end of 2010.

Stock-based compensation for the six months ended June 30, 2011 was $977, an increase of $589 from the same period in the prior year. The increase is due to restricted shares and stock options being expensed over their vesting periods, the change in amortization policy due to IFRS to graded vesting, and the increased fair value of the stock-based compensation due to the increase in value of the common shares of the Company.

Amortization was higher during the quarter ended June 30, 2011 due to the amortization of the capital assets acquired in the SSI and LifeMark acquisitions. Amortization for the second quarter was $457 higher than in the same period in the prior year. Amortization for the six months ended June 30, 2011 was $811 higher than in the same period in the prior year.

Interest expense for the three and six month periods ended June 30, 2011 relates to the term loan and revolving facility arranged in June 2011, the revolving operating facility arranged in October, 2010, the related party loans obtained in November, 2010, the capital leases assumed in the acquisition of SSI and amortization of the unwound interest rate swap.

Interest expense for the three month period ended June 30, 2011, included $611 of amortization of loan arrangement fees (2010 - $50) of which, $397 represents accelerated amortization of fees related to extinguished debt. Interest accrued on the related party subordinated debt totaled $141 (2010 – Nil) for the three month period ended June 30, 2011, and accretion totaled $500 for the same period (2010 – Nil). Included in the accretion of the related party discounts is accelerated accretion of $321 associated with the repaid related party loan.

Included in interest expense is the amortization of the deferred loss on the interest rate swap of $44 (2010 - $80). The remaining balance of the deferred loss was recognized in the three months ended June 30, 2011 as the related debt was extinguished. Interest expense has increased in the three month period ended June 30, 2011, as compared to the prior year, due to the increased overall debt, addition of the term loan and revolving facility entered into in June, 2011, capital leases and interest on the related party loans.

Interest for the six month period ended June 30, 2011, is $1,916 greater than in the comparative period in the prior year due to the increased debt, loan arrangement fees, related party debt, and capital leases that were not in place at June 30, 2010.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Interest on long-term loan and revolving facilities	**523**	152	**655**	289
Amortization of loan arrangement fees	**611**	50	**685**	125
Amortization of the deferred loss on interest rate swap	**44**	80	**62**	45
Interest on related party debt	**141**	-	**301**	-
Accretion of related party discounts	**500**	-	**720**	-
Interest on capital leases	**45**	-	**109**	-
Total interest expense	**1,864**	282	**2,532**	459
Interest income	**(125)**	-	**(157)**	-
Net interest expense	**1,739**	282	**2,375**	459

Segmented Results

Medical Assessments and Rehabilitation

The following table compares Medical Assessments and Rehabilitation results for the periods indicated:

	For the three months ended June 30,			
	2011	2010	**$ Change**	**% Change**
	$	$		
Revenue	**15,083**	8,297	6,786	82%
Gross profit	**7,371**	3,858	3,513	91%
Gross profit %	**49%**	46%	3%	7%
EBITDA[3]	**2,056**	1,934	122	6%

Revenue for independent medical assessments was $15,083, an increase of 82% over the same quarter in the prior year. Revenue growth is due to the acquired businesses of LifeMark. The existing business of CDM has had negative growth in the quarter compared to last year which is reflective of the impact of regulatory reform on this segment. The post-regulatory reform case-mix has also hindered growth in this segment. EBITDA compared to the first quarter of 2011 of $1,055 has improved due to the inclusion of the LifeMark assessment business which contributed $1,225 of EBITDA.

Management has worked diligently to make cost-effective changes in the division to maintain profit margin, which has improved to 49% compared to the same quarter last year of 46% and from the first quarter in 2011 of 42%, and is aggressively pursuing revenue-generating opportunities with auto insurers and workers compensation boards.

	For the six months ended June 30,			
	2011	2010	**$ Change**	**% Change**
	$	$		
Revenue	**21,968**	15,077	6,891	48%
Gross profit	**10,256**	7,237	3,019	42%
Gross profit %	**47%**	48%	(1%)	(2%)
EBITDA[4]	**3,111**	3,220	(109)	(3%)

Performance in the six month period shows the negative growth, excluding acquisitions, in this segment with EBITDA decreasing from the same period in the prior year.

[3] EBITDA excludes any allocation of corporate costs which amounted to $1,923 and $3,533 for the three and six month periods ended June 30, 2011, respectively, which includes costs for employees or services supporting operating segments.

Eldercare and Homecare

The following table compares Eldercare and Homecare results for the periods indicated:

	For the three months ended June 30,			
	2011	2010	**$ Change**	**% Change**
	$	$		
Revenue	**11,253**	7,289	3,964	54%
Gross profit	**3,508**	2,195	1,313	60%
Gross profit %	**31%**	30%	1%	3%
EBITDA[5]	**2,222**	1,715	507	30%

Revenue for physiotherapy services rendered through our elder care and home care divisions was $11,253 for the three month period ended June 30, 2011, a 54% increase of the same period in the prior year. This growth is attributable to the inclusion of the home care business, the addition of LifeMark's eldercare division contributed $825 in revenue for the period from June 9, 2011 through June 30, 2011, as well as organic growth in the elder care division.

A summary of the results for the six months ended June 30, 2011 is as follows:

	For the six months ended June 30,			
	2011	2010	**$ Change**	**% Change**
	$	$		
Revenue	**21,184**	13,910	7,274	52%
Gross profit	**6,591**	3,873	2,718	70%
Gross profit %	**31%**	28%	3%	11%
EBITDA[4]	**4,244**	3,114	1,130	36%

Elder care added 4,287 new beds in its existing business in the six month period ended June 30, 2011, which has contributed growth of $1,853. The elder care division has also made efforts to streamline its cost structure which has helped improve its gross profit margin. The beds added from the LifeMark acquisition are 12,174 beds serviced in 115 homes.

[4] EBITDA excludes any allocation of corporate costs which amounted to $1,923 and $3,533 for the three and six month periods ended June 30, 2011, respectively, which includes costs for employees or services supporting operating segments.

Surgical and Medical Centres

The following table compares Surgical and Medical Centres results for the periods indicated:

	For the three months ended June 30,			
	2011	2010	**$ Change**	**% Change**
Revenue	**5,498**	341	5,157	NM
Gross profit	**3,193**	240	2,953	NM
Gross profit %	**58%**	70%	(12%)	(17%)
EBITDA[5]	**700**	(8)	708	NM

Revenue for surgical and medical services in the period was $5,498, a significant increase from the prior year resulting from the SSI acquisition effective January 1, 2011. For the three months ended June 30, 2011, SSI contributed $4,803 and CSS contributed $298 to the increased surgical and medical revenue. With the addition of SSI and CSS in 2011, the increase from the comparative period is primarily due to the addition of these businesses in the period.

	For the six months ended June 30,			
	2011	2010	**$ Change**	**% Change**
	$	$		
Revenue	**10,638**	680	9,958	NM
Gross profit	**5,954**	485	5,469	NM
Gross profit %	**56%**	71%	(15%)	(21%)
EBITDA[6]	**1,387**	(16)	1,403	NM

Pharmacy

The following tables show the results of the Pharmacy division for the three and six-month periods ended June 30, 2011. The division was established in the fourth quarter of 2010; therefore there is no comparative data to the prior year.

	For the three months ended June 30,
	2011
Revenue	**$ 1,057**
Gross profit	**230**
Gross profit %	**22%**
EBITDA[6]	**$ 36**

The Pharmacy division did not perform as expected due to the vacancies in the facility where one of the pharmacies operates and the loss of a supply contract for a high dollar ophthalmological drug. The Pharmacy continues to pursue revenue generating and diversification strategies to improve its performance. The number of prescriptions filled month-to-month has improved since the beginning of 2011.

[5] EBITDA excludes any allocation of corporate costs which amounted to $1,923 and $3,533 for the three and six month periods ended June 30, 2011, respectively, which includes costs for employees or services supporting operating segments.

Results for the six months ended June 30, 2011 are as follows:

	For the six months ended June 30, 2011
Revenue	$ 2,135
Gross profit	497
Gross profit %	23%
EBITDA[6]	$ 79

Home Medical Equipment

Included in the LifeMark acquisition is the business of MediChair. MediChair is a franchise company with retail outlets across Canada. MediChair specializes in the sales of various wheelchairs and accessibility equipment for the home. The results of MediChair include corporate-owned stores as well as any royalties earned from franchised stores. As LifeMark was acquired on June 9, 2011, the stated results are from the 22 days from June 9, 2011 to June 30, 2011.

	For the three months ended June 30, 2011
Revenue	$ 706
Gross profit	581
Gross profit %	82%
EBITDA[7]	$ 133

[6] EBITDA excludes any allocation of corporate costs which amounted to $1,923 and $3,533 for the three and six month periods ended June 30, 2011, respectively, which includes costs for employees or services supporting operating segments.

Income Taxes

Income tax expense is calculated at the statutory rate of 28.25% and is applied on income before taxes adjusted for items that adjust income for tax purposes, primarily stock-based compensation, changes in fair value of contingent consideration, transaction costs, losses carried forward, capital cost allowances and eligible capital deductions.

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

During the three and six months ended June 30, 2011, the effective tax rate is 14.5% due to large permanent differences from transaction costs, non-deductible interest, share-based compensation and non-cash gains and losses arising from the changes in fair value of contingent consideration liabilities reducing taxable income substantially during the three and six month periods ended June 30, 2011.

Liquidity and Capital Resources

The main working capital requirement relates to the financing of accounts receivable which are primarily from the MOHLTC, other government agencies, employers and insurance companies. Such receivables totaled $34,570 at June 30, 2011. The amounts due from MOHLTC are largely financed by accounts payable to third-party service providers who typically are paid after payment for the related service is received. The Company has put focus on its collection efforts as some of their largest insurance customers have balances falling outside of expected payment terms. Management has spent considerable time and resources on investigating and resolving these issues; and, has found that the transition to mandated electronic processing by the insurance providers has contributed to the increased administrative time in processing invoices and payments.

A summary of the accounts receivable, by segment, as of June 30, 2011 compared to December 31, 2010 is as follows:

	June 30, 2011	December 31, 2010	**$ Change**	**% Change**
Medical Assessments and Rehabilitation	**$ 22,996**	$ 5,858	$ 17,138	292.6%
Eldercare and Homecare	**7,708**	4,488	3,220	71.7%
Surgical and Medical Centres	**1,623**	-	1,623	NM
Pharmacy	**361**	200	161	80.5%
Home Medical Equipment	**1,782**	-	1,782	NM
Corporate	**100**	42	58	138.1%
Total	**$ 34,570**	$ 10,588	$ 23,982	226.5%

The increase in accounts receivable in the Medical Assessments and Rehabilitation segment is primarily due to the acquisition of LifeMark in the current quarter, aging of several large accounts, as discussed above, as well as increased volume of referrals through the clinic network. The increase in the Eldercare and Homecare segment is due to the acquisition of LifeMark and the increased volume of Eldercare revenue. The increase in accounts receivable in the Surgical and Medical Centres is due to the accounts receivable within CSS and SSI. The increase of the Pharmacy receivables is due to increased revenues as well as aging compared to the receivables at December 31, 2010.

The Company entered into a new term loan agreement with a syndicate of Canadian banks. The term loan has a limit of $160,000 and a term of four years. The term loan accrues interest at variable rates based on prime; interest is payable monthly, in arrears. The Company is required to make quarterly principal payments according to the terms of its borrowing agreement. Principal repayments required in the twelve months following June 30, 2011, total $11,250. In addition to the term loan, the syndicate has also provided the Company with a revolving facility with a limit of $35,000, also for a term of four years and accrues interest at variable rates based on prime. The facility that was previously in place was cancelled upon entering into the new agreement. As at June 30, 2011, the Company had borrowed $135,000 against the term facility and $10,700 against the revolving facility.

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

Management believes that the cash generated by the existing business will be sufficient in the short to medium term for existing general corporate expenditures and working capital purposes in the existing business. Longer-term capital requirements will depend on many factors including the number and size of acquisitions completed, the rate of growth of the Company's client base, and the cost of expanding in new markets for existing and new healthcare services.

At June 30, 2011, the Company was in an overdraft position that is within the swing line limits arranged with its lender.

The changes in cash balances are explained below:

Operating Activities

For the three months ended June 30, 2011, cash used by operating activities was $691 compared to $2,181 provided by operating activities for the same period in 2010. Included in operating activities are transaction costs incurred of $2,734 for the three months ended June 30, 2011. Cash provided by operating activities, exclusive of transaction costs, is $2,043 for the three month period ended June 30, 2011.

Non-cash working capital increased by $704 during the quarter versus a decrease of $335 in the same period in 2010. Receivables increased by $20,468 in the quarter reflecting the higher sales in the year, the additional receivables through acquisitions and extended payment delays by insurance customers. Days sales outstanding ratio has decreased from the prior quarter to approximately 50 days (2010 – 57 days) based on the business excluding the LifeMark acquisition. Trade and other payables, including accruals, increased by $16,107 in the quarter which reflects additional liabilities assumed with acquisitions, and payments according to terms with our vendors. The inclusion of the acquired businesses are the main factors supporting this increase in accounts payable. Income taxes payable decreased by $651 in the quarter compared to an increase of $448 in 2010.

Cash used by operating activities in the six month period ended June 30, 2011 was $2,260 compared to $2,979 provided by operating activities in the same period in 2010. For the six months ended June 30, 2011, non-cash working capital increased $3,379 compared to an increase of $265 in the prior year. The increase in working capital, largely due to the increased receivables, and the transaction costs incurred effecting the acquisitions in the year are the primary factors in the significant use of cash from operations in the six months ended June 30, 2011.

Investing Activities

During the three months ended June 30, 2011, the Company advanced the final tranche of $50 to PrevCan Inc. ("Intervent"), a prevention and wellness company, pursuant to a definitive loan agreement that was signed during 2010. The loan bears interest at 6% per annum. The Company agreed to lend Intervent up to $2,000 by way of scheduled advances on a periodic basis until April 1, 2011. Subsequent to the end of the quarter, the loan agreement was extended to January 31, 2012. The total amount of the loan receivable as of June 30, 2011 is $2,052. Included in the balance of this loan are the cash advances of $2,000 and fees of approximately $52. Repayment is payable in cash or by issuance of Intervent shares representing a 50% fully diluted interest.

On June 9, 2011, the Company acquired 100% of the limited partnership units of LifeMark Health LP for $83,200 in cash, and up to 46,875,000 common shares in the Company based on LifeMark's earnings for the twelve months ending June 30, 2012.

The purchase of property and equipment used in the business during the three and six months ended June 30, 2011 amounted to $973 and $1,278, respectively (2010 - $189 and $281). Included in the equipment purchased in the three and six month periods was capital equipment used in the surgical business and leasehold improvements to the Centric Seniors' Centre. Intangible assets purchased in the three and six month periods totaled $16 and $187, respectively, which is largely software (2010 – $304 and $338).

During the six months ended June 30, 2011, the Company acquired 100% of the outstanding shares of SSI for $8,150 in cash, up to 11,827,956 shares and up to 8,000,000 warrants in the Company based on SSI's 2011 earnings.

Financing Activities

During the three months ended June 30, 2011, the Company obtained a term loan and new revolving facility to complete the LifeMark transaction. Under the term loan, the Company was advanced $135,000 which is shown, net of unamortized loan arrangement fees of $5,987 on the statement of financial position. The Company also borrowed $10,700 under the new revolving facility and repaid $1,000 to extinguish the previous revolving facility. From the advances under the term loan, the Company repaid existing debt in LifeMark of approximately $51,200. At June 30, 2011, the Company was in compliance with all of the covenants on its revolving and term facilities.

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

During the six months ended June 30, 2011, in addition to the transactions incurred in the three month period, the Company repaid its revolving facility that existed at December 31, 2010 in the amount of $15,972, repaid finance leases in the amount of $655 and received $20,251 in cash for the issuance of shares through a private placement and exercise of options.

Equity

Share Capital

During the three month period ended June 30, 2011, option holders exercised 200,000 options to purchase an equivalent number of shares at a weighted average exercise price per share of $0.38. During the six month period ended June 30, 2011, 612,500 options were exercised to purchase an equivalent number of shares at a weighted average exercise price per share of $0.36.

As at June 30, 2011, the Company had total shares outstanding of 140,445,551 of which 1,100,000 are restricted shares held by the CEO which vest over time as discussed in Note 12 to the Company's 2010 audited consolidated financial statements, 46,875,000 shares are held in escrow pending LifeMark achieving performance targets, and 11,827,956 shares are held in escrow pending SSI achieving performance targets as disclosed in Note 7 to the

June 30, 2011 unaudited interim consolidated financial statements. Accordingly, for financial reporting purposes, the Company reported 80,642,595 common shares outstanding as at June 30, 2011. As at June 30, 2010, there were 61,140,095 shares outstanding.

As at June 30, 2011, there were 22,038,200 warrants outstanding. Of this amount, 21,500,000 warrants are held by related parties entitling the holders to acquire 20,500,000 common shares at an exercise price of $0.33 per share and 1,000,000 shares at $1.00 per share. The warrants expire on May 28, 2014 and November 9, 2013, respectively. During the three-month period ended March 31, 2011, 538,200 warrants were issued in conjunction with the private placement with an exercise price of $1.27 and which expire on March 3, 2013. Subsequent to June 30, 2011, 40,000 warrants issued in connection with the private placement were exercised for proceeds of $51.

As at June 30, 2011, there were a total of 7,403,000 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $1.00, expiring at various dates through 2016. The number of exercisable options at June 30, 2011 was 1,308,334 with a weighted average exercise price of $0.59.

As at the date of this report, August 10, 2011, the number of shares outstanding, including restricted and escrowed shares, is 143,970,551; the number of options outstanding is 7,278,000; and, the number of warrants outstanding is 21,998,200. Included in the shares outstanding are 63,302,956 shares held in escrow, or in trust, and are not freely tradeable.

Summary of Quarterly Results

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

Selected financial information for each of the last ten quarters is as follows:

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal year 2011				
Revenue and other income			$ 33,596	$ 23,035
Adjusted EBITDA			$ 3,219	$ 2,197
Adjusted EBITDA per share				
Basic			$ 0.031	$ 0.028
Diluted			$ 0.026	$ 0.023
Net income (loss)			$ 12,955[7]	$ (7,073)[8]
Earnings (loss) per share				
Basic			$ 0.161	$ (0.092)
Diluted			$ 0.126	$ (0.092)
Fiscal year 2010 (IFRS)				
Revenue and other income	$ 17,025	$ 15,755	$ 15,927	$ 13,740
Adjusted EBITDA	$ 1,506	$ 2,197	$ 2,443	$ 1,847
Adjusted EBITDA per share				
Basic	$ 0.025	$ 0.036	$ 0.040	$ 0.030
Diluted	$ 0.021	$ 0.031	$ 0.035	$ 0.025
Net income (loss)	$ (715)[9]	$ 951	$ 1,037	$ 865
Earnings (loss) per share				
Basic	$ (0.012)	$ 0.016	$ 0.017	$ 0.014
Diluted	$ (0.010)	$ 0.013	$ 0.015	$ 0.012
Fiscal year 2009 (Canadian GAAP)				
Revenue and other income	$ 12,896	$ 12,431	$ 7,027	$ 4,269
Adjusted EBITDA	$ 285	$ 1,671	$ 894	$ 612
Adjusted EBITDA per share				
Basic	$ 0.006	$ 0.027	$ 0.019	$ 0.017
Net income (loss)	$ (105)	$ 888	$ 518	$ 339
Earnings (loss) per share				
Basic	$ (0.002)	$ 0.015	$ 0.011	$ 0.009
Diluted	$ (0.002)	$ 0.013	$ 0.011	$ 0.009

[7] The net income for the quarter ended June 30, 2011 includes a non-cash gain of $15,984 representing the decrease in fair value of contingent consideration liability and $2,734 of transaction costs related to business acquisitions.
[8] The net income for the quarter ended March 31, 2011 includes $6,454 as a charge to net income representing the increase in fair value of contingent consideration liability and $947 of transaction costs related to business acquisitions.
[9] The net income for the quarter ended December 31, 2010 includes $390 as a charge to net income representing a change in fair value of contingent consideration liability and $808 of transaction costs related to business acquisitions.

The summary of quarterly results is illustrative of the overall growth in the business over the last several quarters, both organically and through acquisitions. The current quarter shows the additional revenue of the acquired businesses of LifeMark and SSI of $10,975 and $4,803, respectively.

The volatility in net income for the first two quarters of 2011 compared to previous quarters is largely due to the requirements related to acquisitions imposed by the transition to IFRS. Under IFRS, transaction costs are expensed as incurred. Transaction fees incurred are directly related to the size of acquisition targets. Transaction costs have increased proportionally with the size of the acquisitions completed, leading to a significant charge against earnings in the current period. During the three month period ended June 30, 2011, transaction costs were $2,734 (2010 - $145). For the year ended December 31, 2010, upon transition to IFRS, $1,141 in acquisition-related transaction costs were expensed. Under previous Canadian GAAP, these costs were allocated to the cost of assets acquired or recorded as deferred charges on our Canadian GAAP balance sheet.

In addition, the Company is required to value the contingent consideration liabilities pursuant to its business combination activities. During the three and six-month periods ended June 30, 2011, the Company's common share price fluctuated significantly, affecting the basis on which the contingent consideration liabilities are valued at the end of each reporting period. As part of the Company's acquisition strategy, partial consideration for acquired businesses is paid in shares and or warrants of the Company. Management's valuation method to determine the value of the contingent consideration is largely based on the value of common shares and the probability of the acquired business achieving stated performance targets. The valuation of contingent consideration on the date the acquisition closes becomes part of the total consideration in the purchase equation. Subsequently, the contingent consideration is revalued on each financial statement date with changes in fair value flowing through the statement of income and comprehensive income. For the three months ended June 30, 2011, the Company recorded a non-cash gain of $15,984, reflective of the change in fair value of contingent consideration related to the purchases of LifeMark, SSI and CAR. This non-cash change in fair value was primarily the result of the effect on the LifeMark contingent consideration liability of the decrease in the Company's share price from $2.90 per share on June 9, 2011, the date of the acquisition of LifeMark, to $2.32 per share on June 30, 2011, partially offset by increases in the contingent consideration liabilities related to CAR and SSI. The change in fair value of contingent consideration reported in the results of operations for the three-month period ended March 31, 2011 was a non-cash charge of $6,454 relating to the contingent consideration with respect to the SSI and CAR acquisitions.

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

Contractual Commitments

During the six months ended June 30, 2011, the Company assumed finance lease obligations related to its acquisition of SSI. Other than the finance leases mentioned above, there have been no significant changes in the Company's contractual obligations as disclosed in our annual consolidated financial statements.

The Company's contractual commitments, inclusive of the LifeMark business, at June 30, 2011, are summarized in the following table:

	Total	1 year	1-3 years	4-5 years	Thereafter
Term loan	$ 135,000	$ 11,250	$ 28,250	$ 95,500	$ -
Revolving facility	10,700	-	-	10,700	-
Related party debt	5,000	-	5,000	-	-
Operating leases	37,025	8,096	13,001	7,552	8,376
Preferred partnership units	65,500	-	-	65,500	-
Finance leases	2,569	1,214	1,355		-
Total	$ 255,794	$ 20,560	$ 47,606	$ 179,252	$ 8,376

Off-Balance Sheet Arrangements

As at June 30, 2011, the Company has no off-balance sheet arrangements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

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

The Certifying Officers have concluded that, as at June 30, 2011, The Company's DC&P has been designed effectively to provide reasonable assurance that (a) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted, recorded, processed, summarized and reported within the time periods specified in the securities legislation. They have also concluded that the Company's ICFR have been designed effectively to provide reasonable assurance regarding the reliability of the preparation and presentation of the financial statements for external purposes and were effective as at June 30, 2011.

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

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

The Company used the COSO control framework. Other than the changes resulting from the acquisitions of SSI and LifeMark, there were no material changes to the Company's internal controls over financial reporting that occurred during the quarter ended June 30, 2011 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

Transactions with Related Parties

Related party transactions, in addition to those with Company directors and management, have been entered into with Global Healthcare Investments and Solutions, Inc. ("GHIS") and entities controlled by the shareholders of GHIS who own 31,750,000 shares or approximately 22.6% of the issued and outstanding common shares of the Company, inclusive of escrowed and restricted shares. Jamon Investments LLC ("Jamon") is an associate of Dr. Jack Shevel, the Chairman of the Company. GHIS Capital Inc. ("GHIS Capital") is related to GHIS by common control. Dr. Shevel is also the President of GHIS.

During the three and six months ended June 30, 2011, the Company incurred expenses payable to GHIS for its strategic advisory services pursuant to a consulting agreement with the Company. The GHIS consulting agreement provides that it receive fees based on up to 1.5% for completing financing, mergers and acquisitions, $20 per month as an advisory fee and 1% of the Company's weighted average market capitalization on an annual basis provided that the Company's market capitalization exceeds $20,000 in the period.

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

In addition to the fees earned, travel and other administrative expenses incurred on behalf of the Company are reimbursed to GHIS and are included in the total general and administrative expenses in the amount of $18 and $39 for the three and six months ended June 30, 2011, respectively (2010 - $5 and $28).

The fees earned for the three and six month periods ended June 30, 2011 and 2010, according to the consulting arrangement with GHIS are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
Completion fees	**$ 1,400**	$ -	**$ 1,704**	$ -
Advisory fees	**60**	60	**120**	120
Market capitalization fee	**276**	88	**404**	212
Total fees earned in the period	**$ 1,736**	$ 148	**$ 2,228**	$ 332

During the three months ended June 30, 2010, in addition to the completion fees above, GHIS earned $2,800 in fees related to the financing obtained to complete the LifeMark acquisition. These fees are included in the loan arrangement fees netted from borrowings on the statement of financial position. During the six months ended June 30, 2011, in addition to the completion fees and financing fees above, GHIS earned an additional $161 related to the private placement financing which is netted from the equity instruments issued in that transaction. Included in accounts payable and accrued liabilities at June 30, 2011 and December 31, 2010, are $4,841 and $237, respectively, due to GHIS; and $75 and $92, respectively for interest payable to Jamon.

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

	At inception
Related party loans:	
Convertible loan at 6%	**$ 3,880**
Conversion feature (equity)	**1,444**
Related party loan at 7%	**4,387**
Warrant	**289**
Total consideration	**$ 10,000**

Concurrent to the closing of LifeMark on June 9, 2011, the Company repaid the unsecured related party loan at 7%, in full, to Jamon with accrued interest of $66. Accelerated accretion of $321 of non-cash interest was recorded in interest expense for the three and six-month periods ended June 30, 2011.

Subsequent to June 30, 2011, following a process involving an independent committee of the Board of Directors of the Company, the Company acquired all of the shares of GHIS Capital. The process included a fairness opinion from a leading professional services firm, to assist in supporting the value of the AHP warrant owned by GHIS Capital. GHIS Capital's sole asset was the AHP warrant. Pursuant to the contractual arrangements between GHIS Capital and the Company, AHP was a wholly-owned subsidiary that was formed to be the entity through which all new business opportunities, distinct from the Company's current operations, would be conducted. The warrant enabled GHIS Capital to acquire a 25% interest in AHP for $33. As consideration for such acquisition, the Company issued 3.5 million treasury shares to the shareholders of GHIS Capital, to be held in escrow for one year. Upon completion of the AHP transaction on July 31, 2011, the existing security holder agreement between the Company and GHIS Capital was terminated.

As a consequence of the acquisition of GHIS Capital and the termination of the security holder agreement, GHIS Capital's entitlement to a 25% participation in the Company's expansion into new health care sectors has been eliminated thus simplifying the Company's corporate structure and aligning the interests of all shareholders. The fair value of the 3.5 million shares at the date of issue will be charged to retained earnings in the third quarter of 2011.

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

Proposed Transactions

On May 19, 2011, the Company announced that it had entered into an agreement to purchase substantially all of the assets and businesses of the Blue Water surgical and medical centres, along with 75% of the issued and outstanding securities of the London Scoping Centre ("LSC"). The Blue Water surgical and medical centres own and operate three state-of-the-art surgical and endoscopy facilities located in Sarnia and Windsor, Ontario. LSC, located in South London, Ontario, is a newly constructed facility offering a modern, high-tech outpatient clinic which provides a range of scoping procedures.

The total consideration for this transaction is approximately $8,500 in cash and up to 10,280,769 common shares of Centric Health, comprised of 6,828,846 shares and warrants to purchase up to 3,451,923 common shares at a price to be determined using the five-day volume weighted average trading price immediately preceding the closing subject to Blue Water achieving certain EBITDA targets. The warrants have a two-year term from the date on which they vest, subject to outperformance of the total EBITDA target.

On June 27, 2011, the Company announced that it entered into a definitive asset purchase agreement to acquire the assets of DNPI. The business represents a network of ten specialty pharmacies across Ontario supporting treatment and care for patients undergoing addiction treatment through 33 addiction treatment centres and is expected to generate revenue in the range of approximately $15,000 to $18,000 on an annual basis. The addition of DNPI is a strategic acquisition that will develop a network of specialty and niche pharmacies.

Subsequent to June 30, 2011, the Company announced its intention to acquire 75% of Performance Medical Group. This acquisition provides Centric with the ability to offer Orthotic and bracing services across the Company including the surgical, elder care and home care, and physiotherapy division. Total consideration to be paid on closing is $3,000 in cash and the issuance of up to 3 million common shares in the Company subject to the business achieving certain performance targets over two years.

While the Company is optimistic that it can successfully conclude these acquisitions, no assurances can be given by the Company that any or all of these transactions will be completed.

Critical Accounting Estimates

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

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

Goodwill and Intangible Assets Valuation

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

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

Management tests the valuation of goodwill and indefinite life intangibles as at December 31 of each year to determine whether or not any impairment in the goodwill and intangible balances recorded exists. In addition, on a quarterly basis, management assesses the reasonableness of assumptions used for the valuation to determine if further impairment testing is required.

Management has determined, using the above-noted valuation methods, that there was no impairment to goodwill or the indefinite life intangible assets as at June 30, 2011 or June 30, 2010 other than the impairment of its hospital license recognized on transition to IFRS.

Recognition of Contingent Consideration

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

In addition, warrants are issued when these performance targets are exceeded. 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.

Accounting Changes

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

International Financial Reporting Standards ("IFRS")

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

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

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

The key areas that impact previously reported net earnings are: stock-based compensation, change in fair value of contingent consideration, and transaction costs incurred on business combinations. Information regarding the individual changes is included in Notes 2 and 4 to the unaudited interim consolidated financial statements for the three and six months ended June 30, 2011.

Stock-based compensation increased by $51 and $146 for the three and six month periods ending June 30, 2010, respectively, and by $268 for the year ended December 31, 2010 decreasing the net income reported for those comparative periods. There is no change to previously reported EBITDA for this IFRS adjustment. Stock-based compensation under IFRS differs from previous GAAP as it requires graded vesting of options as well as inclusion of a forfeiture rate in the valuation of all options granted. The inclusion of the forfeiture rate will generally reduce the total fair value to be expensed over the vesting period related to an option grant and the requirement to use graded vesting will generally result in the recognition of the fair value of the total compensation expense on an accelerated basis as compared to straight-line vesting.

The acquisition of CAR, completed in 2010, included contingent consideration in the form of shares and warrants to purchase common shares of the Company. Under Canadian GAAP, contingent consideration was not recorded unless it was beyond a reasonable doubt that the payment would be made. Under IFRS, the Company is required to estimate the probability that contingent consideration will be earned and recognize the fair value of the contingent consideration as part of the consideration transferred for the acquired company. Contingent consideration is generally classified as a liability or equity in the consolidated statement of financial position. Equity classified contingent consideration is not re-measured subsequent to initial recognition whereas liability classified contingent consideration is re-measured at each reporting date with changes in fair value recognized in the statement of net income and comprehensive income. As at June 30, 2010, the Company did not have any outstanding contingent consideration. The contingent consideration with respect to CAR is recorded as a liability. At December 31, 2010, the fair value of the contingent consideration on the acquisition of CAR had increased in value by $436, negatively impacting the net earnings for the year then ended.

On an ongoing basis, the Company is actively engaged in pursuing acquisition targets and to that end, incurs significant costs related to its acquisition strategy. Under previous Canadian GAAP, these costs were deferred on the statement of financial position until the acquisition was completed and included in the purchase price equation. Under IFRS, transaction costs related to acquisitions are expensed as incurred. For the three and six month periods ended June 30, 2010, these costs totaled $145 and $149, respectively, for the year ended December 31, 2010, transaction costs totaled $1,141 and in the three months ended June 30, 2011, transaction costs totaled $2,734. For the six months ended June 30, 2011, transaction costs totaled $3,681. This change negatively impacts net earnings as well as EBITDA as previously reported. Adjusted EBITDA as defined earlier in this MD&A normalizes for this change in accounting policy.

The impact on net income for the three and six months ended June 30, 2010 and the year ended December 31, 2010 as a results of these significant changes to accounting policies is outlined in the following table:

Impact on net income:	Three months ended June 30, 2010 $	Six months ended June 30, 2010 $	Year ended December 31, 2010 $
Stock-based compensation	51	146	268
Transaction costs	145	149	1,141
Change in fair value of contingent consideration	-	-	436
Decrease to net income	196	295	1,845

On an ongoing basis, management is monitoring the International Accounting Standard Board's activities, giving consideration to any proposed changes, where applicable, in its assessment of differences between IFRS and Canadian GAAP. However, since all potential changes to IFRS that will be effective as at December 31, 2011 are not yet known, any conclusions drawn at this point in time are preliminary in nature.

Risks and Uncertainties

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

Competition

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

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

Government Regulation and Funding

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

Insurance legislation changes enacted on September 1, 2010, affected the business as the disability management division operates within the regulatory jurisdiction of these legislative changes. Auto insurance guidelines for accident benefit claims have changed and fees for independent medical assessments are now capped. This change may negatively affect the future financial results of this division. To mitigate any negative impact, the disability management division has expended resources to diversify offerings and expand its customer base to best capture the optimal sales mix in the marketplace. In the second quarter of 2011, referral volumes and sales decreased from the same period in the prior year largely due to regulatory reform.

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

Credit Risk and Economic Dependence

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

The Company derived approximately 30% of its revenues for the three month period ended June 30, 2011 (2010 – 46%) from billings through its government billing privilege and as such is subject to concentration risk associated with its reliance on such billings.

Acquisition and Integration

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

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

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

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

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

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

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

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

Referrals

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

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

Shortage of Healthcare Professionals

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

Exposure to Epidemic or Pandemic Outbreak

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

Confidentiality of Personal and Health Information

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

Information Technology Systems

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

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

Key Personnel

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

Litigation and Insurance

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

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

Internal Control over Financial Reporting and Disclosure Controls and Procedures

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

Capital Investment

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

Dilution

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

Uncertainty of Liquidity and Capital Requirements

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

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

Unpredictability and Volatility of Share Price

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

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

Significant Shareholders

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

Litigation

During the first quarter of 2010, the former CEO of the Company commenced a claim seeking compensation for termination of her employment and additional compensation amounts. The Company has initiated a defense against this claim and management believes that it has adequate provisions in its financial statements to provide for the settlement of this action.

Subsequent Events

The following events occurred subsequent to June 30, 2011:

- Subsequent to June 30, 2011, following a process involving an independent committee of the Board of Directors of the Company, which included a fairness opinion from a national audit firm related to the value of the AHP warrant, owned by GHIS Capital, Centric Health acquired all of the shares of GHIS Capital. As consideration for such acquisition, the Company issued 3.5 million treasury shares to the shareholders of GHIS Capital, to be held in escrow for one year. Upon completion of the AHP transaction on July 31, 2011, the existing security holder agreement between Centric Health and GHIS Capital was terminated.

  As a consequence of the acquisition of GHIS Capital and the termination of the security holder agreement, GHIS Capital's entitlement to a 25% participation in the Company's expansion into new health care sectors has been eliminated thus simplifying the Company's corporate structure and aligning the interests of all shareholders. The fair value of the 3.5 million shares at the date of issue will be accounted for as a charge to retained earnings during the third quarter of 2011.

Additional Information

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

Unaudited Interim Consolidated Financial Statements For the Three and Six Months Ended June 30, 2011 and 2010

(in thousands of Canadian dollars)

Dated August 10, 2011

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

	June 30, 2011 $	December 31, 2010 (note 4) $	January 1, 2010 (note 4) $
Assets			
Current assets			
Cash and cash equivalents	**-**	9,210	1,196
Trade and other receivables	**34,570**	10,588	7,500
Accrued receivables	**6,596**	1,420	932
Loan receivable (note 6)	**2,052**	–	–
Prepaid expenses	**1,318**	178	161
Inventories	**2,170**	230	–
Deposit (note 10)	**924**	1,266	–
	47,630	22,892	9,789
Non-current assets			
Property and equipment (note 9A)	**16,048**	1,449	952
Loans receivable (note 6)	**2,722**	1,714	–
Goodwill and intangible assets (note 9B)	**373,550**	29,457	20,469
Deferred income tax asset	**1,380**	–	–
Investment in franchisees	**2,039**	–	–
Total assets	**443,369**	55,512	31,210
Liabilities			
Current liabilities			
Trade and other payables	**27,133**	8,175	5,700
Current portion of borrowings (note 11)	**11,250**	4,434	2,200
Current portion of finance lease liability (note 13)	**1,231**	–	–
Income taxes payable	**541**	1,032	90
Contingent consideration (note 8)	**149,875**	2,067	–
Deferred revenue	**150**	–	–
	190,180	15,708	7,990
Non-current liabilities			
Borrowings (note 11)	**136,083**	18,435	7,068
LifeMark preferred partnership units (note 12)	**65,500**	–	–
Finance lease liability (note 13)	**1,338**	–	–
Deferred income tax liability	**1,384**	747	284
Deferred lease inducement	**371**	69	92
Derivative financial instrument	**405**	–	121
Total liabilities	**395,261**	34,959	15,555
Shareholders' Equity			
Share capital (note 16)	**29,804**	9,240	8,921
Warrants	**3,567**	3,246	2,957
Contributed surplus	**2,566**	1,839	1,191
Equity portion of convertible borrowings	**1,444**	1,444	–
Accumulated other comprehensive loss	**-**	(61)	(121)
Retained earnings	**10,727**	4,845	2,707
Total shareholders' equity	**48,108**	20,553	15,655
Total liabilities and shareholders' equity	**443,369**	55,512	31,210

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

Centric Health Corporation

Interim Consolidated Statements of Income and Comprehensive Income

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

	Three months ended June 30,		Six months ended June 30,	
	2011 **$**	2010 (note 4) $	**2011** **$**	2010 (note 4) $
Revenue	**33,596**	15,927	**56,631**	29,667
Cost of services and supplies	**18,712**	9,634	**32,750**	18,106
Gross profit	**14,884**	6,293	**23,881**	11,561
Employee costs (note 15)	**5,521**	1,790	**8,862**	3,522
Direct costs	**4,221**	862	**6,070**	1,719
Operating margin	**5,142**	3,641	**8,949**	6,320
Corporate office administration	**1,923**	1,197	**3,533**	2,029
Stock-based compensation	**562**	184	**977**	388
Depreciation and amortization	**587**	130	**1,035**	224
Interest expense	**1,739**	282	**2,375**	459
Income before the undernoted	**331**	1,848	**1,029**	3,220
Transaction costs (note 7)	**2,734**	145	**3,681**	149
Decrease in fair value of contingent consideration liability (note 8)	**(15,984)**	-	**(9,530)**	-
Income before income taxes	**13,581**	1,703	**6,878**	3,071
Current income tax expense (note 14)	**466**	563	**604**	1,003
Deferred income tax expense (note 14)	**160**	103	**392**	166
Net income and comprehensive income attributable to common shareholders for the period	**12,995**	1,037	**5,882**	1,902
Basic earnings per common share (note 16)	**$ 0.161**	$ 0.017	**$ 0.079**	$ 0.031
Diluted earnings per common share (note 16)	**$ 0.126**	$ 0.015	**$ 0.062**	$ 0.027
Weighted average number of common shares outstanding (in thousands) (note 16)				
Basic	**80,525**	61,119	**74,298**	61,099
Diluted	**102,746**	69,416	**95,388**	70,911

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

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

	Number of shares	Amount $	Warrants $	Contributed surplus $	AOCI* $	Convertible borrowings $	Retained earnings $	Total $
Balance at January 1, 2010	**61,015,095**	**8,921**	**2,957**	**1,191**	**(121)**	**–**	**2,707**	**15,655**
Options exercised	125,000	50	–	(21)	–	–	–	29
Deferred compensation expensed in the period	–	–	–	388	–	–	–	388
Amortization of deferred loss on interest rate swap	–	–	–	–	30	–	–	30
Net income for the period	–	–	–	–	–	–	1,902	1,902
Balance at June 30, 2010	**61,140,095**	**8,971**	**2,957**	**1,558**	**(91)**	**–**	**4,609**	**18,004**
Balance at January 1, 2010	**61,015,095**	**8,921**	**2,957**	**1,191**	**(121)**	**–**	**2,707**	**15,655**
Options exercised	975,000	319	–	(113)	–	–	–	206
Issued as deferred compensation	100,000	–	–	–	–	–	–	–
Deferred compensation expensed in the period	–	–	–	761	–	–	–	761
Amortization of deferred loss on interest rate swap	–	–	–	–	60	–	–	60
Issuance of warrants	–	–	289	–	–	–	–	289
Equity portion of convertible borrowings	–	–	–	–	–	1,444	–	1,444
Net income for the year	–	–	–	–	–	–	2,138	2,138
Balance at December 31, 2010	**62,090,095**	**9,240**	**3,246**	**1,839**	**(61)**	**1,444**	**4,845**	**20,553**
Balance at January 1, 2011	**62,090,095**	**9,240**	**3,246**	**1,839**	**(61)**	**1,444**	**4,845**	**20,553**
Options exercised	612,500	382	–	(160)	–	–	–	222
Private placement	17,940,000	20,092	321	–	–	–	–	20,413
Amortization of deferred loss on interest rate swap	–	–	–	–	61	–	–	61
Deferred compensation expensed in the period	–	90	–	887	–	–	–	977
Net income for the period	–	–	–	–	–	–	5,882	5,882
Balance at June 30, 2011	**80,642,595[1]**	**29,804**	**3,567**	**2,566**	**–**	**1,444**	**10,727**	**48,108**

*AOCI – Accumulated other comprehensive income (loss)
[1] Excludes 58,702,956 shares in escrow and 1,100,000 restricted shares (note 16).

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

Centric Health Corporation

Interim Consolidated Statements of Cash Flows

(unaudited)

(in thousands of Canadian dollars)

	Three months ended June 30, $		Six months ended June 30, $	
	2011	2010	**2011**	2010
Cash (used in) provided by:				
Operating activities				
Net income attributable to common shareholders for the period	**12,955**	1,037	**5,882**	1,902
Adjustments for:				
Interest expense	**1,695**	268	**2,314**	431
Amortization of deferred loss on interest rate swap	**44**	130	**61**	145
Depreciation of property and equipment	**487**	73	**815**	115
Amortization of finite-life intangible assets	**100**	57	**220**	109
Leasehold inducement	**(6)**	(6)	**(12)**	(12)
Deferred income taxes	**160**	103	**392**	166
Stock-based compensation expense	**562**	184	**977**	388
Decrease in contingent consideration liability	**(15,984)**	-	**(9,530)**	-
Net change in non-cash working capital items (note 18)	**(704)**	335	**(3,379)**	(265)
Cash (used in) provided by operating activities	**(691)**	2,181	**(2,260)**	2,979
Investing activities				
Loan advances	**(28)**	(360)	**(338)**	(560)
Decrease (increase) in deferred charges	**252**	(149)	**-**	(149)
(Increase) decrease in deposit	**(924)**	-	**342**	-
Purchase of intangible assets	**(16)**	(304)	**(187)**	(338)
Purchase of property and equipment	**(973)**	(189)	**(1,278)**	(281)
Acquisition of business (note 7)	**(83,200)**	-	**(91,662)**	-
Increase in loan receivable from franchisees	**(285)**	-	**(285)**	-
Cash used in investing activities	**(85,174)**	(1,002)	**(93,408)**	(1,328)
Financing activities				
Proceeds of bank loan	**3,398**	-	**3,398**	-
Interest paid	**(416)**	(90)	**(582)**	(180)
Repayment of borrowings	**(49,896)**	(550)	**(64,868)**	(1,100)
Proceeds of long-term loan net of loan arrangement costs	**128,914**	-	**128,914**	-
Repayment of finance lease	**(304)**	-	**(655)**	-
Issuance of common shares and warrants, net of issuance costs	**68**	8	**20,251**	29
Cash provided by (used in) financing activities	**81,764**	(632)	**86,458**	(1,251)
(Decrease) increase in cash and cash equivalents	**(4,101)**	547	**(9,210)**	400
Cash and cash equivalents, beginning of period	**4,101**	1,049	**9,210**	1,196
Cash and cash equivalents, end of period	**-**	1,596	**-**	1,596

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

1. General

Centric Health Corporation and its wholly owned subsidiaries (collectively, Centric, or, the Company) are incorporated under the *Canada Business Corporations Act*. The Company is listed on the Toronto Stock Exchange and is incorporated and domiciled in Canada. The Company's principal business is providing healthcare services to its patients and customers in Canada. The address of the Company's registered office is 4 Lansing Square, Toronto, Ontario.

2. Basis of Preparation and Adoption of IFRS

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

Statement of Compliance: These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34 – *Interim Financial Reporting*, and IFRS 1 – *First-time Adoption of IFRS*. Subject to certain transition elections disclosed in note 4 of the interim consolidated financial statements, the Company has consistently applied the same accounting policies in its opening IFRS consolidated statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's audited annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with Canadian GAAP.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of August 10, 2011, the date the Board of Directors approved the interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on changeover to IFRS.

The interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP audited annual consolidated financial statements for the year ended December 31, 2010. Notes 4 and 9 of these interim consolidated financial statements include certain IFRS information for the year ended December 31, 2010 that was not provided in the 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP and that is material to an understanding of these interim consolidated financial statements.

3. Significant Accounting Policies

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

Basis of measurement

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

Consolidation

These interim consolidated financial statements incorporate the assets and liabilities of Centric Health Corporation and its wholly-owned subsidiaries, Centric Disability Management Inc. (CDM), Don Mills Surgical Unit Ltd. and Don Mills Surgical Centres Ltd. (together, DMSU), Direct Health Solutions (2) Inc., Alegro Health Partners Inc., Active Health Services Ltd. (Active Health), Community Advantage Rehabilitation Inc. (CAR), Centric Pharmacy Inc. (CP), Surgical Spaces Inc. (SSI), and Lifemark Health Limited Partnership (LifeMark) as at June 30, 2011, and the results of these subsidiaries for the three and six months then ended.

During the year ended December 31, 2010, the Company completed three acquisitions, resulting in three additional entities being included in the interim consolidated financial statements. During the six months ended June 30, 2011, the Company completed two acquisitions which are also included in the interim consolidated financial statements (note 7).

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

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets and liabilities assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company’s share of the identifiable net assets acquired is recorded as goodwill. If the consideration transferred is less than the fair value of the subsidiary acquired, the difference is recognized directly in the interim consolidated statement of income and comprehensive income.

Segmented reporting

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

3. Significant Accounting Policies - continued

Foreign currency translation

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

Financial assets and financial liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from these assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.
At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instrument was acquired:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade and other receivables, accrued receivables, loan receivable and cash and cash equivalents, and, with the exception of the loan receivable described in note 6, are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less the provisions for impairment losses.

Financial liabilities at fair value through profit or loss
Financial instruments at fair value through profit or loss are financial liabilities held for trading. Derivative financial instruments are categorized as held for trading unless they are designated as hedges. The Company's financial liabilities at fair value through profit or loss include the derivative financial instrument for contingent consideration liability and interest rate swap. Liabilities in this category are classified as current liabilities if expected to be settled within twelve months; otherwise, they are classified as non-current liabilities.

Financial liabilities at amortized cost
Financial liabilities at amortized cost include trade and other payables, finance lease liability, and borrowings. Trade and other payables are initially recorded at the amount required to be paid less, when material, a discount to reduce the amount payable to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Borrowings, finance lease liability and other liabilities are initially recognized at fair value, net of any transaction costs incurred, and, subsequently, at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months; otherwise, they are presented as non-current liabilities.

3. Significant Accounting Policies - continued

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 interim 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 interim consolidated statement of income and comprehensive income.

Cash and cash equivalents

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

Trade and other receivables

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

Accrued receivables

Accrued receivables are amounts for services rendered and not yet invoiced or billed to customers. Accrued receivables are recognized at fair value.

Inventories

Inventories consist of materials used in the provision of healthcare services, home medical equipment and pharmaceutical inventory and are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Investment in franchisees

Investments in franchisees are recorded at cost and represent the Company's investment in three franchisees, accounted for using the cost method. Two of the franchisees are located in Ontario, and one franchisee is located in Calgary, Alberta.

3. Significant Accounting Policies - continued

Property and equipment

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

The major categories of property and equipment are depreciated on a straight-line basis as follows:

Office furniture, fixtures and equipment	5 - 10 years
Computer equipment	30% declining balance
Medical equipment	2 - 5 years
Physiotherapy equipment	30% declining balance
Leasehold improvements	remaining term of the lease

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

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

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

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

Intangible assets

Computer software and prescription files
The Company's intangible assets include computer software and prescription files with a finite useful life. These assets are capitalized and amortized on a straight-line basis in the interim consolidated statement of comprehensive income over the period of their expected useful lives of two to ten years.

3. Significant Accounting Policies - continued

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

The prescription files are amortized on a straight-line basis over a useful life of approximately ten years. Value is given to the prescription files based on the amount of business generated from returning customers; the majority of returning customers are those working in the immediate area of the pharmacies. Management considers the rates of turnover at neighbouring hospitals and medical facilities and inflation in assessing the estimated useful life and valuation of prescription files.

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

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

Indefinite-life intangible assets
The Company has indefinite-life intangible assets in relation to its hospital licence, government billing privilege, sleep clinic licence and the Community Care Access Centre (CCAC) contract. The Company tests indefinite-life intangible assets for impairment annually. The hospital license allows DMSU to privately operate a hospital in the province of Ontario. The government billing privilege is an asset that facilitates the billing of provincially insured physiotherapy services to the government. This billing privilege was acquired as part of the Active Health acquisition**.** The CCAC contract was acquired in the purchase of CAR. The CCAC refers patients to CAR for occupational therapy, dietetics and social work services. The CCAC contract has a stated term that is renewed by the CCAC at its option and CAR is able to propose on any future contracts available for tender.

Impairment of non-financial assets

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

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

3. Significant Accounting Policies - continued

Trade and other payables

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

Borrowings

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

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

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

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

Recognition of Contingent Consideration

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

In addition, warrants are issued when these performance targets are exceeded. 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.

3. Significant Accounting Policies - continued

Subsequent changes in fair value between reporting periods are included in the determination of net income. Changes in fair value arise as a result of changes in the Company's share price and changes in the estimated probability of 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.

Employee benefits

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

Income taxes

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

Current income taxes
Current income tax expense is based on the results of the period, 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. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the taxation authorities.

Deferred income taxes
Deferred income taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the interim 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 interim 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 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.

3. Significant Accounting Policies - continued

Revenue

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

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

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

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

Revenue for physiotherapy and rehabilitation services is recognized when services are rendered and collectability is reasonably assured.

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

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

Government funding from the Ministry of Health and Long-Term Care (“MOHLTC”) is recognized as revenue when receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. These services are deemed receivable when rendered, and are available to be billed to the MOHLTC.

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

Cost of services and supplies

Cost of services and supplies includes service supplies and cost of pharmaceuticals sold through the Company’s retail pharmacies. Services are comprised of costs related to medical and healthcare practitioner consultant services provided.

3. Significant Accounting Policies - continued

Share-based payments

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

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

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

The contributed surplus within shareholders' equity is reduced as the share options are exercised or when the share options expire unexercised. 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.

Share capital and warrants

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

Earnings per share

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

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to share options, warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive instruments comprise share options granted to employees, convertible debt and warrants.

3. Significant Accounting Policies - continued

Accounting standards issued but not yet adopted

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

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

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

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

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

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

Critical accounting estimates and judgments

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

Impairment testing of goodwill and indefinite-life intangible assets
The Company tests annually whether goodwill or indefinite-life intangible assets have suffered any impairment, in accordance with the relevant accounting policy. The recoverable amounts of CGU's have been determined based on value-in-use calculations. These calculations require the use of estimates (note 9B).

3. Significant Accounting Policies - continued

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

In addition, warrants are 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. 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.

4. Transition to IFRS

The effect of the Company's transition to IFRS, described in note 2 of these interim consolidated financial statements, is summarized as follows:

A. Transition exceptions and exemptions

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS in accordance with IFRS 1:

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

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

Hedge accounting - The Company held an interest rate swap at the transition date as a hedge of cash flow risk related to the Company's variable rate borrowings. Under Canadian GAAP, the interest rate swap was accounted for as a cash flow hedge. Changes in the fair value were recognized in other comprehensive income as long as the hedge continued to be considered effective. The method of assessing hedge effectiveness used under Canadian GAAP did not qualify these instruments for hedge accounting under IFRS and the Company discontinued hedge accounting prospectively on transition to IFRS. As a result, changes in the fair value of the interest rate swap occurring after January 1, 2010 under IFRS are recognized directly in interest expense. This increased interest expense by $65 and $15, for the three and six months ended June 30, 2010, respectively, and increased interest expense by $7 for the year ended December 31, 2010. In accordance with IFRS transition requirements, gains and losses on the interest rate swap arising prior to January 1, 2010 continue to be recognized in accumulated other comprehensive income and are subsequently recognized through profit or loss by the way of amortization over the remaining life of the associated debt facility or until the related debt instrument is extinguished.

4. Transition to IFRS - continued

B. Effect of transition adjustments on the interim consolidated statements of financial position and comprehensive income

i. Interim consolidated statement of financial position

		As at December 31, 2010			As at June 30, 2010			As at January 1, 2010		
	Ref.	Canadian GAAP $	Adjust-ments $	IFRS $	Canadian GAAP $	Adjust-ments $	IFRS $	Canadian GAAP $	Adjust-ments $	IFRS $
Assets										
Current assets										
Cash and cash equivalents		9,210	-	9,210	1,596	-	1,596	1,196	-	1,196
Trade and other receivables		10,588	-	10,588	9,369	-	9,369	7,500	-	7,500
Accrued receivables		1,420	-	1,420	1,733	-	1,733	932	-	932
Prepaid expenses	C	208	(30)	178	172	-	172	161	-	161
Inventories		230	-	230	-	-	-	-	-	-
Deposit		1,266	-	1,266	-	-	-	-	-	-
		22,922	(30)	22,892	12,870	-	12,870	9,789	-	9,789
Non-current assets										
Property and equipment		1,449	-	1,449	1,118	-	1,118	952	-	952
Loan receivable		1,714	-	1,714	560	-	560	-	-	-
Goodwill	B,E	19,029	1,425	20,454	14,213	-	14,213	14,213	-	14,213
Intangible assets	A,B	9,571	(568)	9,003	6,856	(371)	6,485	6,627	(371)	6,256
Deferred acquisition costs	B	859	(859)	-	213	(213)	-	64	(64)	–
Total assets		55,544	(32)	55,512	35,830	(584)	35,246	31,645	(435)	31,210
Liabilities										
Current liabilities										
Trade and other payables	C	8,251	(76)	8,175	7,706	(189)	7,517	5,967	(267)	5,700
Current portion of borrowings		4,434	-	4,434	2,200	-	2,200	2,200	-	2,200
Income taxes payable		1,032	-	1,032	746	-	746	90	-	90
Other liabilities	E	-	2,067	2,067	-	-	-	-	-	–
Deferred income tax liability	D	-	-	-	19	(19)	-	19	(19)	–
		13,717	1,991	15,708	10,671	(208)	10,463	8,276	(286)	7,990
Non-current liabilities										
Borrowings		18,435	-	18,435	6,113	-	6,113	7,068	-	7,068
Deferred income tax liability	D	747	-	747	431	19	450	265	19	284
Deferred lease inducement		69	-	69	80	-	80	92	-	92
Derivative financial instrument		-	-	-	136		136	121	-	121
Total liabilities		32,968	1,991	34,959	17,431	(189)	17,242	15,822	(267)	15,555
Shareholders' Equity										
Share capital		9,240	-	9,240	8,971	-	8,971	8,921	-	8,921
Warrants		3,246	-	3,246	2,957	-	2,957	2,957	-	2,957
Contributed surplus	F	1,546	293	1,839	1,387	171	1,558	1,166	25	1,191
Equity portion of convertible borrowings		1,444	-	1,444	-	-	-	-	-	-
Accumulated other comprehensive loss	G	(128)	67	(61)	(136)	45	(91)	(121)	-	(121)
Retained earnings	H	7,228	(2,383)	4,845	5,220	(611)	4,609	2,900	(193)	2,707
Total shareholders' equity		22,576	(2,023)	20,553	18,399	(395)	18,004	15,823	(168)	15,655
Total liabilities and shareholders' equity		55,544	(32)	55,512	35,830	(584)	35,246	31,645	(435)	31,210

4. Transition to IFRS – continued

ii. Interim consolidated statement of comprehensive income

		Three months ended June 30, 2010			Six months ended June 30, 2010		
	Ref.	Canadian GAAP $	Adjustments $	IFRS $	Canadian GAAP $	Adjustments $	IFRS $
Revenue		15,927	-	15,927	29,667	-	29,667
Cost of services and supplies		9,634	-	9,634	18,106	-	18,106
Gross profit		**6,293**	**-**	**6,293**	**11,561**	**-**	**11,561**
Employee costs	C	1,785	5	1,790	3,444	78	3,522
Direct costs	B	862	-	862	1,719	-	1,719
Operating margin		**3,646**	**(5)**	**3,641**	**6,398**	**(78)**	**6,320**
Corporate office administration		1,197	-	1,197	2,029	-	2,029
Stock-based compensation	F	133	51	184	242	146	388
Depreciation and amortization	B	130	-	130	224	-	224
Interest expense	G	202	80	282	415	44	459
Transaction costs	B	-	145	145	-	149	149
Income before income taxes		**1,984**	**(281)**	**1,703**	**3,488**	**(417)**	**3,071**
Income tax expense		666	-	666	1,169	-	1,169
Net income attributable to shareholders for the period		**1,318**	**(281)**	**1,037**	**2,319**	**(417)**	**1,902**
Other comprehensive income		**1,318**	**-**	**1,037**	**2,319**	**-**	**1,902**
Unrealized (loss) gain on derivative financial instrument	G	(65)	65	-	(15)	15	-
Comprehensive income attributable to common shareholders for the period		**1,253**	**(216)**	**1,037**	**2,304**	**(402)**	**1,902**

4. Transition to IFRS - continued

C. Explanatory notes

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

B. **Business combinations** - In accordance with the IFRS transitional provisions, the Company elected to apply IFRS relating to business combinations prospectively from January 1, 2010. Acquisitions that were completed between January 1, 2010 and December 31, 2010 have been restated to comply with IFRS 3R, *Business Combinations*, which resulted in the Company expensing transaction costs incurred for acquisitions immediately where previously, under Canadian GAAP, they were included as part of the cost of the acquisition. The adjustments decreased deferred acquisition costs by $64 at January 1, 2010, with a corresponding adjustment to retained earnings. During the six months ended June 30, 2010 and the year ended December 31, 2010, deferred acquisition costs of $213 and $859, respectively, were reversed through the interim consolidated statement of income and comprehensive income. The charge to earnings in the year ended December 31, 2010, $1,141, is comprised of the transaction costs related to the business combinations completed in the year of $346, and recognition of the deferred acquisition costs of $859 as expenses in the period incurred, less the amount of deferred charges expensed on transition to IFRS of $64.

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

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

Under Canadian GAAP, management had recorded restructuring accruals related to an acquisition in 2009. These accruals did not meet the requirements of a provision under IFRS and are reversed from the current liabilities and retained earnings on transition to IFRS. During the year ended December 31, 2010, $233 was recorded as an expense adjustment related to the transition to IFRS.

D. **Classification of deferred income tax -** Under IFRS, it is not appropriate to classify deferred income tax balances as current, irrespective of the classification of the financial assets or financial liabilities to which the deferred income taxes relate or the expected timing of reversal. Under Canadian GAAP, deferred income taxes relating to current assets or current liabilities must be classified as current. Accordingly, current deferred income tax amounts reported under Canadian GAAP of $19 at January 1, 2010 ($19 at June 30, 2010 and $nil at December 31, 2010) have been reclassified to non-current liabilities under IFRS.

4. Transition to IFRS - continued

E. **Recognition of contingent consideration** - On September 1, 2010, the Company acquired Community Advantage Rehabilitation Inc. (CAR). Pursuant to the purchase agreement, additional consideration, in the form of shares, may be payable based on the achievement of certain predetermined earnings. Under IFRS, this contingent consideration has been classified as a financial liability because it does not meet the fixed-for-fixed criterion in IAS 32, *Financial Instruments: Presentation*, to be classified within equity and is measured at fair value and re-measured at each reporting date. Under Canadian GAAP, no liability was recognized for this obligation. This resulted in the recognition of a financial liability of $1,630 at September 1, 2010 with a corresponding adjustment to goodwill. Subsequently, the change in fair value of the contingent consideration resulted in recognition of an expense of $436 on the statement of income and comprehensive income for the year ended December 31, 2010.

F. **Share-based payments** - Under IFRS, the Company accrues the cost of employee share options over the vesting period using the graded method of amortization rather than the straight-line method, which was the Company's policy under Canadian GAAP. This increased contributed surplus and reduced retained earnings at the date of transition by $25 on transition, and increased contributed surplus and share-based payment expense by $51 for the three months ended June 30, 2010 and $268 for the year ended December 31, 2010.

G. **Hedge accounting -** The Company held an interest rate swap at the transition date as a hedge of cash flow risk related to the Company's variable rate borrowings. Under Canadian GAAP, the interest rate swap was accounted for as a cash flow hedge. Changes in the fair value were initially recognized in other comprehensive income and transferred into income as the variable interest expense was recognized on the borrowings. The method of assessing hedge effectiveness used under Canadian GAAP did not qualify these instruments for hedge accounting under IFRS and the Company discontinued hedge accounting prospectively on transition to IFRS. As a result, changes in the fair value of the interest rate swap occurring after January 1, 2010 under IFRS are recognized directly in finance expense. This decreased interest expense by $65 and $15 for the three and six months ended June 30, 2010, respectively. In accordance with IFRS transition requirements, gains and losses on the interest rate swap arising prior to January 1, 2010 continue to be recognized in accumulated other comprehensive income pending the occurrence of the hedged transactions. The fair value of the loss on the interest rate swap as of January 1, 2010, has been included in our accumulated other comprehensive income and subsequent changes in fair value are recognized in interest expense. Amortization of the loss is recognized through profit or loss.

4. Transition to IFRS - continued

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

	Ref.	December 31, 2010 $	June 30, 2010 $	January 1, 2010 $
Retained earnings - as reported under Canadian GAAP		7,228	5,220	2,900
IFRS adjustments:				
Impairment of intangible assets	A	(371)	(371)	(371)
Business combinations – transaction costs	B	(346)	-	-
Business combinations – deferred charges	B	(859)	(213)	(64)
Amortization of intangibles	B	(55)	-	-
Provisions	C	267	267	267
Recognition of severance costs	C	(223)	(78)	-
Recognition of contingent consideration	E	(436)	-	-
Share-based payment expense	F	(293)	(171)	(25)
Hedge accounting	G	(7)	(15)	-
Amortization of the loss	G	(60)	(30)	-
Retained earnings - as reported under IFRS		**4,845**	**4,609**	**2,707**

D. Adjustments to interim consolidated statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on the cash flows generated by the Company.

5. Capital Management

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

The Company is not subject to any externally imposed capital requirements and has adequate capital on hand to meet future obligations.

Management reviews its capital management requirements on an ongoing basis and believes this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management during the period ended June 30, 2011.

5. Capital Management - continued

The Company manages its liquidity risk through the management of its capital structure and financial leverage. The Company is subject to certain financial covenants under its term and revolving facilities and has met all those conditions. The Company anticipates that it will generate sufficient cash flows to meet the repayment terms of its liabilities.

The Company is exposed to interest rate risk through its floating rate term loan and revolving facility, whose interest rates are based on prime. The significant increase in interest-bearing debt in the three month period ended June 30, 2011 has increased the interest rate risk of the Company.

6. Loans Receivable

Intervent

On May 17, 2010, the Company entered into an agreement with PrevCan Inc. (Intervent) to advance $2,000 on a periodic basis through to April 1, 2011. The advances bear interest at 6% per annum which is payable the earlier of the loan maturity or six months in arrears. The loan and any accrued interest were originally due on May 11, 2011 payable at Intervent's option in either cash or shares in Intervent, representing a 50% fully diluted interest. In the event the loan is repaid through the issuance of Intervent shares, the Company's cost of acquiring the shares will be represented by the loan amount and any unpaid interest. If Intervent elects to repay the loan with its shares, the Company is required to pay certain additional contingent consideration in the form of Company warrants and shares if certain financial performance criteria are met by Intervent in the year ending December 31, 2011.

As of June 30, 2011, the Company has made cash advances to Intervent in the amount of $2,000 and has been included in the loan receivable, fees related to the loan of $74. The fees are amortized over the term of the loan. Interest accrued to June 30, 2011 is $100.

On May 11, 2011, Intervent did not repay the loan to the Company. Instead, on June 30, 2011, the Company and Intervent agreed to extend the maturity date of the loan to January 31, 2012.

Franchisees

Notes and loans receivable from franchisees of $2,722 are related to the MediChair home medical equipment division from the LifeMark business. LifeMark has various loan agreements with its franchisees. These loans have negotiated repayment terms and interest rates and the majority are secured by general security agreements over the franchisees' assets.

7. Business Combinations

On June 9, 2011, the Company completed the acquisition of 100% of the residual limited partnership units of LifeMark Health Limited Partnership (LifeMark). LifeMark operates approximately 120 physiotherapy clinics, assessment clinics, and one surgical centre (Calgary, Alberta) across Canada.

The purchase price of $219,138 includes $83,200 in cash paid upon closing (which included repayment of certain existing debt within LifeMark), and the estimated value of contingent consideration of $135,938 representing the issuance of up to 46,875,000 shares of the Company which are contingent on LifeMark achieving certain predetermined earnings targets for the twelve months ending June 30, 2012. Included in the liabilities assumed on completion of the acquisition is preferred partnership units held by Alaris Income Growth Fund Partnership (Alaris) of $65,500, which are further described in note 12 to these interim consolidated financial statements.

The purchase price allocation is preliminary in nature and was recorded as follows:

Purchase Price	
Cash consideration paid to limited partnership unit holders	$ 18,200
Cash paid to Alaris to redeem preferred partnership units	65,000
Contingent consideration	135,938
	$ 219,138
Fair Value of Net Assets Acquired	
Current assets	$ 29,231
Property and equipment	9,803
Goodwill and intangible assets	319,750
Other non-current assets	4,476
	363,260
Liabilities assumed	(144,122)
	$ 219,138

Revenue and income from operations of LifeMark from the date of acquisition, June 9, 2011 to June 30, 2011 were $10,975 and $1,361, respectively.

The fair value of the contingent consideration liability of $135,938 at the date of acquisition was determined based on estimates of expected LifeMark earnings for the period ending June 30, 2012 and by using the closing quoted market price of the Company's common shares on the date of acquisition.

Given that the purchase price allocation is preliminary in nature and no amortization of any finite-life intangible assets that may be identified has been recorded by the Company.

7. Business Combinations - continued

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

The purchase price of $22,940 includes $8,150 in cash paid upon closing, $678 in cash paid for a net debt adjustment, and the estimated value of contingent consideration of $14,112. The balance of the purchase price may be paid by the issuance of up to 11,827,956 shares of the Company and is contingent on SSI achieving certain predetermined earnings targets for the year ending December 31, 2011. In addition, if SSI exceeds these performance targets, the vendors are entitled to up to 8,000,000 warrants to buy shares of the Company at a price of $1.10.

The purchase price allocation is preliminary in nature and was recorded as follows:

Purchase Price		
Cash consideration	$	8,150
Net debt adjustment		678
Contingent consideration		14,112
	$	22,940
Fair Value of Net Assets Acquired		
Current assets	$	1,171
Property and equipment		4,333
Goodwill and intangible assets		23,865
Deferred income tax assets		762
		30,131
Liabilities assumed		(7,191)
	$	22,940

Revenue of SSI for the three and six months ended June 30, 2011 was $4,803 and $9,593, respectively. Income from operations for the three and six months ended June 30, 2011 was $410 and $853, respectively.

The fair value of the contingent consideration arrangement of $14,112 at the date of acquisition was determined based on estimates of SSI's expected earnings for the year ending December 31, 2011 and by using the quoted market price on the date of acquisition of the Company's common shares and the Black-Scholes pricing model for the warrants.

Given that the purchase price allocation is preliminary in nature and no amortization of any finite-life intangible assets that may be identified has been recorded by the Company.

Transaction costs incurred, including legal, consulting and due diligence fees, directly related to business combinations, are expensed as incurred. During the six months ended June 30, 2011, transaction costs were incurred as follows: LifeMark $2,787; SSI $403; Dedicated National Pharmacies $279; and other transactions $212.

7. Business Combinations - continued

Proposed transactions

On May 19, 2011, the Company announced that it had entered into an agreement to purchase substantially all of the assets and businesses of the Blue Water surgical and medical centres, along with 75% of the issued and outstanding securities of the London Scoping Centre ("LSC"). The Blue Water surgical and medical centres own and operate three state-of-the-art surgical and endoscopy facilities located in Sarnia and Windsor, Ontario. LSC, located in South London, Ontario, is a newly constructed facility offering a modern, high-tech outpatient clinic which provides a range of scoping procedures.

The total consideration for this transaction is approximately $8,500 in cash and up to 10,280,769 common shares of Centric Health, comprised of 6,828,846 shares and warrants to purchase up to 3,451,923 common shares at a price to be determined using the five-day volume weighted average trading price immediately preceding the closing subject to Blue Water achieving certain performance targets. The warrants have a two-year term from the date on which they vest, subject to outperformance of the total performance target.

On June 27, 2011, the Company announced that it entered into a definitive asset purchase agreement to acquire the assets of Dedicated National Pharmacies Inc., Methadrug Clinic Limited, and Union Medical Pharmacy Inc. (collectively "DNPI"). The business represents a network of ten specialty pharmacies across Ontario supporting treatment and care for patients undergoing addiction treatment through 33 addiction treatment centres and is expected to generate revenue in the range of approximately $15,000 to $18,000 on an annual basis. The addition of DNPI is a strategic acquisition that will develop a network of specialty and niche pharmacies.

Subsequent to June 30, 2011, the Company announced its intention to acquire 75% of Performance Medical Group. This acquisition provides Centric with the ability to offer Orthotic and bracing services across the Company including the surgical, elder care and home care, and physiotherapy division. Total consideration to be paid on closing is $3,000 in cash and the issuance of up to 3 million common shares in the Company subject to the business achieving certain performance targets over two years.

While the Company is optimistic that it can successfully conclude these acquisitions, no assurances can be given by the Company that any or all of these transactions will be completed.

8. Contingent Consideration

Share-based contingent consideration consisting of the Company shares and warrants to be released from escrow or issued based on the acquired businesses achieving predetermined earnings targets is estimated at the date of acquisition taking into consideration the quoted market prices of the Company's common shares at the dates of acquisition and the probability of achieving the earnings targets. The value of the estimated contingent consideration is revised each reporting period to reflect changes in the Company's share price and changes in the probability of achieving earnings targets.

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

	CAR **$**	**SSI** **$**	**LifeMark** **$**	**Total** **$**
Balance at December 31, 2010	2,067	–	–	2,067
Fair value at date of acquisition		14,112		14,112
Increase in fair value during period	1,467	4,986		6,453
Balance at March 31, 2011	3,534	19,098	–	22,632
Fair value at date of acquisition		–	135,938	135,938
Increase (decrease) in fair value during period	1,784	9,420	(27,188)	(15,984)
Balance at June 30, 2011	**5,318**	**28,518**	**108,750**	**142,586**

The above table excludes LifeMark acquired contingent consideration payable in cash in the amount of $7,289 at June 30, 2011.

The contingent consideration payable by the Company has decreased over the six-month period ended June 30, 2011 by $9,530 being the net of the $27,188 decrease in the LifeMark contingent consideration less the increase in the aggregate of CAR and SSI contingent consideration of $17,657. The predominant factor leading to the decrease in value of the contingent consideration liability was the decrease in value of the Company's common shares from $2.90 per share on June 9, 2011, the date of the LifeMark acquisition, to $2.32 per share on June 30, 2011. The increase in the CAR and SSI contingent consideration liabilities was predominantly the result, in the case of SSI, of the increase in the Company's share price from the date of its acquisition, January 19, 2011, to June 30, 2011. In the case of CAR, which was acquired on September 1, 2010, the increase related to the increase in the Company's share price from January 1, 2011 to June 30, 2011.

9. Additional IFRS Information

The following IFRS disclosures relating to the year ended December 31, 2010 and six months ended June 30, 2011 have been presented to facilitate an understanding of these interim consolidated financial statements as this information was not required to be disclosed in the Canadian GAAP audited annual consolidated financial statements for the year ended December 31, 2010.

A. Property and equipment

	Office furniture, fixtures and equipment $	Computer equipment $	Medical and physiotherapy equipment $	Leasehold improvements $	Total $
As at January 1, 2010					
Cost	1,921	1,162	673	186	3,942
Accumulated depreciation	(1,743)	(806)	(432)	(9)	(2,990)
Net carrying value	**178**	**356**	**241**	**177**	**952**
Year ended December 31, 2010					
Opening net carrying value	178	356	241	177	952
Additions	65	106	211	132	515
Acquisition of subsidiary	21	10	15	211	256
Disposals	-	-	(10)	-	(10)
Depreciation for the year	(31)	(115)	(87)	(31)	(264)
Closing net carrying value	**233**	**357**	**370**	**489**	**1,449**
As at December 31, 2010					
Cost	2,007	1,278	889	529	4,703
Accumulated depreciation	(1,774)	(921)	(519)	(40)	(3,254)
Net carrying value	**233**	**357**	**370**	**489**	**1,449**
Six months ended June 30, 2011					
Opening net carrying value	233	357	370	489	1,449
Additions	119	65	252	842	1,278
Acquisitions	1,651	697	5,514	6,274	14,136
Disposals	-	-	-	-	-
Depreciation for the period	(38)	(71)	(478)	(228)	(815)
Closing net carrying value	**1,965**	**1,048**	**5,658**	**7,377**	**16,048**
As at June 30, 2011					
Cost	3,777	2,040	6,655	7,645	20,117
Accumulated depreciation	(1,812)	(992)	(997)	(268)	(4,069)
Net carrying value	**1,965**	**1,048**	**5,658**	**7,377**	**16,048**

9. Additional IFRS Information - continued

B. Goodwill and intangible assets

	Goodwill $	Licences $	Government billing privilege $	CCAC contract $	Computer software $	Pharmacy (License and Prescription files) $	Total $
As at January 1, 2010							
Cost	14,213	1,147	4,105	–	1,500	–	20,965
Accumulated amortization and impairment	–	(371)	–	–	(125)	–	(496)
Net carrying value	**14,213**	**776**	**4,105**	**–**	**1,375**	**–**	**20,469**
Year ended December 31, 2010							
Opening net carrying value	14,213	776	4,105	–	1,375	–	20,469
Additions	6,241	250		291	291	2,200	9,273
Amortization charge	–	–	–	–	(230)	(55)	(285)
Impairment	–	–	–	–	–		
Closing net carrying value	**20,454**	**1,026**	**4,105**	**291**	**1,436**	**2,145**	**29,457**
As at December 31, 2010							
Cost	20,454	1,397	4,105	291	1,791	2,200	30,238
Accumulated amortization and impairment	–	(371)	–		(355)	(55)	(781)
Net carrying value	**20,454**	**1,026**	**4,105**	**291**	**1,436**	**2,145**	**29,457**
Six months ended June 30, 2011							
Opening net carrying value	20,454	1,026	4,105	291	1,436	2,145	29,457
Additions	–	–	–	–	187	–	187
Acquisitions	343,816	–	–	–	–	310	344,126
Amortization charge	–	–	–	–	(110)	(110)	(220)
Closing net carrying value	**364,270**	**1,026**	**4,105**	**291**	**1,513**	**2,345**	**373,550**
As at June 30, 2011							
Cost	364,270	1,397	4,105	291	1,978	2,510	374,551
Accumulated amortization and impairment	–	(371)	–	–	(465)	(165)	(1,001)
Net carrying value	**364,270**	**1,026**	**4,105**	**291**	**1,513**	**2,345**	**373,550**

The allocations of goodwill and intangible assets are based on preliminary purchase price allocations and there could be significant reallocations between goodwill and intangible assets once the purchase price allocations are finalized.

10. Deposit

The deposit amount shown at December 31, 2010, was a returnable deposit to secure exclusive negotiation rights to purchase assets of a pharmacy business. Those negotiations terminated without any assets being purchased, and the full deposit was returned to the Company in 2011. Following the resumption of negotiations, a further deposit was furnished with respect to the same business of $924.

11. Borrowings

Borrowings consist of the following:

	June 30, 2011	December 31, 2010
	$	$
Bank loan (net of loan arrangement costs)	**129,013**	14,531
Revolving facility	**10,700**	-
Related party loan (note 15)	**-**	4,434
Bank indebtedness	**3,561**	-
Related party convertible loan (note 15)	**4,059**	3,904
	147,333	22,869
Less: Current portion	**11,250**	4,434
Total non-current borrowings	**136,083**	18,435

On June 9, 2011, the Company entered into a credit agreement for a four-year committed term facility (Term Facility) and a four-year committed operating facility (Revolving Facility). The Term Facility has a maximum borrowing limit of $160,000, with quarterly principal repayment terms. Interest is calculated on a sliding scale ranging from prime plus 1.25% to prime plus 2.50% for principal borrowed and a range of 0.79% to 1.22% standby rate fee for amounts not borrowed. As at June 30, 2011, the Company has borrowed $135,000. Unamortized loan arrangement costs totalled $5,987 at June 30, 2011, and are netted against the recorded amount of the related debt.

The Revolving Facility has a maximum borrowing limit of $35,000, inclusive of $5,000 swing line availability, at a variable rate based on prime. As at June 30, 2011 the Company has borrowed $10,700 of this facility.

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

Concurrent to the closing of LifeMark on June 9, 2011, the Company repaid the 7% related party loan to Jamon Investments LLC (Jamon), in full, with accrued interest of $66. Accelerated accretion of $321 of non-cash interest was recorded in interest expense during the three-month period ended June 30, 2011.

12. Preferred Partnership Units

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

13. Finance Lease Liability

The Company acquired lease agreements in connection with the acquisition of SSI. The lease agreements were obtained to finance certain equipment used in its operations. Included within SSI, in property, plant and equipment, are the following amounts where the Company is a lessee under finance leases:

	June 30, 2011 $	December 31, 2010 $
Cost - capitalized finance lease	**3,241**	-
Accumulated depreciation	**(672)**	-
Total finance lease liability	**2,569**	-

The leases have an average interest rate implicit in the lease of 9% and resulted in a finance lease obligation with future minimum lease payments as follows:

	June 30, 2011 $	December 31, 2010 $
Gross finance lease liabilities - minimum lease payments	**2,569**	-
No later than 1 year	**1,354**	-
Later than 1 year but no later than 5 years	**1,350**	-
Future finance charges on finance lease	**(135)**	-
Present value of finance lease liabilities	**2,569**	-

The present value of finance lease liabilities is as follows:

	June 30, 2011 $	December 31, 2010 $
No later than 1 year	**1,231**	-
Later than 1 year but no later than 5 years	**1,338**	-
Present value of finance lease liabilities	**2,569**	-

14. Income Tax Expense

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated statutory rate used for the six months ended June 30, 2011 and 2010 was 28.25% and 31%, respectively.

During the three and six months ended June 30, 2011, the effective tax rate is 14.5% due to large permanent differences from transaction costs, non-deductible interest, share-based compensation and non-cash gains and losses arising from the changes in fair value of contingent consideration liabilities reducing taxable income substantially during the three and six month periods ended June 30, 2011.

15. Related Party Transactions and Balances

In the normal course of operations, the Company has entered into certain related party transactions for consideration established and agreed to by the related parties.

Related party transactions

Related party transactions with Company directors and management, have been entered into with Global Healthcare Investments and Solutions, Inc. (GHIS) and entities controlled by the shareholders of GHIS who own 31,750,000 shares or approximately 22.6% of the issued and outstanding common shares of the Company as of June 30, 2011. This ownership percentage includes 58,702,956 and 1,100,000 (escrowed and restricted shares, respectively) in the total common shares considered to be outstanding. Jamon Investments LLC (Jamon) is controlled by Dr. Jack Shevel, the Company's Executive Chairman. GHIS Capital Inc. (GHIS Capital) is related to GHIS by common control.

A summary of the transactions with related parties for the three and six months ended June 30, 2011 and 2010, is as follows:

	Three months ended June 30, $		**Six months ended June 30, $**	
	2011	2010	**2011**	2010
Corporate administrative expenses - GHIS	**1,736**	148	**2,228**	332
Interest incurred on Jamon loans	**141**	-	**301**	-

During the three and six months ended June 30, 2011, the Company incurred expenses payable to GHIS for its strategic advisory services pursuant to a consulting agreement with the Company. The GHIS consulting agreement provides that it receives fees based on up to 1.5% for completing financing, mergers and acquisitions, $20 per month as an advisory fee and 1% of the Company's weighted average market capitalization on an annual basis provided that the Company's market capitalization exceeds $20,000 in the period. Completion fees of $1,400 were incurred with respect to the LifeMark acquisition.

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

Travel and other administrative expenses incurred on behalf of the Company are reimbursed to GHIS in the amount of $18 and $39 for the three and six months ended June 30, 2011, respectively (three and six months ended June 2010 - $5 and $28, respectively) are not included in the corporate administration expenses disclosed above.

15. Related Party Transactions and Balances - continued

Related party transactions - continued

The fees earned by GHIS for the three and six months ended June 30, 2011 and 2010, according to the consulting arrangement with GHIS are as follows:

	Three months ended June 30, $		**Six months ended June 30, $**	
	2011	2010	**2011**	2010
Completion fees	**1,400**	-	**1,704**	-
Advisory fees	**60**	60	**120**	120
Market capitalization fee	**276**	88	**404**	212
Total fees earned in the period	**1,736**	148	**2,228**	332

In addition to the completion fees above, GHIS earned an additional $161 related to the private placement financing which is netted from the equity instruments issued in that transaction, and in the three months ended June 30, 2011, an additional $2,800 was earned related to the new financing arrangements. This amount is netted from the bank loan in borrowings and will be amortized over the term of the loan using the effective interest method. Included in accounts payable and accrued liabilities at June 30, 2011 and December 31, 2010, are $4,841 and $237, respectively, due to GHIS; and $75 and $92, respectively for interest payable to Jamon.

15. Related Party Transactions and Balances - continued

Related party loans

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

	At inception $
Related party loans:	
Related party convertible loan at 6%	**3,880**
Equity portion of related party convertible loan	**1,444**
Related party loan at 7%	**4,387**
Warrant	**289**
Total consideration	**10,000**

Concurrent to the closing of LifeMark on June 9, 2011, the Company repaid the unsecured related party loan at 7%, in full, to Jamon with accrued interest of $66. Accelerated accretion of $321 of non-cash interest was recorded in interest expense for the three and six-month periods ended June 30, 2011.

15. Related Party Transactions and Balances - continued

Other

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

As explained more fully in note 19, subsequent to June 30, 2011, the Company acquired all of the shares of GHIS Capital upon the issuance of 3.5 million common shares.

Key management compensation

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

	Six months ended June 30, 2011 $	Six months ended June 30, 2010 $
Short-term employee benefits	**478**	284
Share-based payment expense	**314**	54
Other long-term benefits	**12**	–
Total key management compensation	**804**	338

16. Shareholders' Equity and Earnings per Share

Common shares

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

Six months ended June 30, ($ thousands, except share amounts)	**2011**		2010	
Common shares	**Shares**	**Stated value**	Shares	Stated value
Balance, beginning of period	**62,090,095**	**$ 9,240**	61,015,095	$ 8,921
Issued through private placement	**17,940,000**	**20,092**	–	–
Restricted share units vested	–	**90**	–	–
Stock options exercised	**612,500**	**382**	125,000	50
Balance, end of period	**80,642,595**	**$ 29,804**	61,140,095	$ 8,971

The number of common shares considered to be issued for financial reporting purposes is exclusive of restricted shares issued, shares issued in trust or held in escrow pending the achievement of certain stated milestones or performance targets, which in total aggregate 59,802,956 at June 30, 2011.

Issuance of common shares and warrants

On March 3, 2011, the Company issued a private placement of 17,940,000 common shares and 538,200 warrants for gross proceeds of $21,528, net of issue costs of $1,487. Each warrant entitles the holder to acquire one common share for a period of two years from that date, at an exercise price of $1.27 per share. The warrants have been fair valued at $324 using the Black-Scholes pricing model with the following assumptions:

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

During the three and six months ended June 30, 2011, 200,000 and 612,500 shares were issued upon exercise of options at weighted average exercise prices of $0.38 and $0.36, respectively.

16. Shareholders' Equity and Earnings per Share - continued

Issuance of stock options and deferred stock-based compensation

There were 2,265,500 stock options issued to management and employees in the three month period ended June 30, 2011 (none in the three months ended March 31, 2011). The options have been fair valued, post-forfeiture rate, at $2,074 using the Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	97 - 105%
Risk-free interest rate	1.98 – 2.36%
Expected life in years	3 – 4.5
Share price at date of issue	$1.66
Forfeiture rate	4.95%
Fair value of option	$1.08 - $1.24

The outstanding and exercisable stock options are as follows:

Six months ended June 30,	**2011**		2010	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of period	**6,100,000**	**$ 0.70**	5,075,000	$ 0.58
Options granted	**2,265,500**	**1.66**	350,000	0.67
Options exercised	**(612,500)**	**0.36**	(125,000)	0.23
Options forfeited	**(350,000)**	**1.17**	-	-
Balance, end of period	**7,403,000**	**$ 1.00**	5,300,000	$ 0.59
Exercisable, end of period	**1,308,334**	**0.59**	1,716,667	0.28

16. Shareholders' Equity and Earnings per Share - continued

Earnings per share

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

The following table illustrates the dilutive effect of the outstanding share options, convertible debt and warrants for the three and six months ended June 30, 2011.

	Three months ended June 30,		**Six months ended June 30,**	
	2011	2010	**2011**	2010
Basic weighted average shares outstanding	**80,525**	61,119	**74,298**	61,099
Dilutive effect of unvested restricted shares	**1,100**	-	**1,100**	**-**
Dilutive effect of share options	**3,051**	932	**2,700**	1,094
Dilutive effect of warrants	**17,424**	7,365	**16,644**	8,718
Dilutive effect of convertible debt	**646**	-	**646**	-
Diluted shares outstanding	**102,746**	69,416	**95,388**	70,911

17. Segmented Information

The consolidated operations of the Company comprise five reportable operating segments referred to as: (i) Medical Assessments and Rehabilitation, (ii) Eldercare and Homecare, (iii) Surgical and Medical Centres, (iv) Pharmacy, and (v) Home Medical Equipment. The Medical Assessment segment includes the business of CDM and provides independent assessments to employers, insurance providers and workplace insurance boards. The Eldercare and Homecare segment includes the businesses of Active Health and CAR, which provide therapy services to the community, insurance industry and employers, physiotherapy network management, and physiotherapy services to long-term care and retirement homes. The Surgical and Medical Centres segment consists of the businesses of DMSU, the Centric Sleep Clinic, False Creek Surgical Centre, Maples Surgical Centre, and Canada Surgical Solutions (CSS). CSS was included in the business acquired in the LifeMark acquisition and operates a surgical facility in Calgary, Alberta. DMSU is an accredited, Toronto-based hospital specializing in a mix of ambulatory and surgical services and includes the Centric Sleep Clinic assets. False Creek and Maples are full-service ambulatory surgical centres in Vancouver, British Columbia and Winnipeg, Manitoba, respectively. These surgical centres were acquired in January, 2011. The Pharmacy segment includes the business of CP. The Home Medical Equipment segment includes the MediChair business segment of LifeMark.

17. Segmented Information - continued

The general and administrative costs included in the Corporate column have not been allocated to the five segments and generally represent the costs associated with a publicly-listed entity, as well as legal fees, due diligence, advisory fees and related mergers and acquisition-related services provided by independent third parties.

	As at and for the six months ended June 30, 2011						
	Medical Assessments and Rehabilitation $	Eldercare and Homecare $	Surgical and Medical Centres $	Pharmacy $	Home Medical Equipment $	Corporate $	Total $
Revenue	21,968	21,184	10,638	2,135	706	-	56,631
Depreciation and amortization	156	166	553	128	2	30	1,035
Finance expense	-	-	105	-	-	2,270	2,375
Income (loss) before interest expense and income taxes (1)	2,801	4,086	818	(62)	131	1,479	9,253
Capital expenditures	348	727	234	141	-	15	1,465
Goodwill	287,255	16,179	25,495	4,643	29,493	1,205	364,270
Total assets (2)	332,674	30,266	32,799	8,004	31,220	8,406	443,369

(1) Included in the income (loss) before interest expense and income taxes for the Corporate segment are $9,530 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period and $3,681 in transaction costs related to business combinations.
(2) Total assets of the Corporate segment include the deposit of $924 and loan receivable of $2,052 from Intervent.

	For the three months ended June 30, 2011						
	Medical Assessments and Rehabilitation $	Eldercare and Homecare $	Surgical and Medical Centres $	Pharmacy $	Home Medical Equipment $	Corporate $	Total $
Revenue	15,082	11,253	5,498	1,057	706	-	33,596
Depreciation and amortization	131	85	281	64	2	24	587
Finance expense	-	-	45	-	-	1,694	1,739
Income (loss) before interest expense and income taxes (3)	1,770	2,152	419	(41)	131	10,889	15,320

(3) Included in the income (loss) before interest expense and income taxes for the Corporate segment are $15,984 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period and $2,734 in transaction costs related to business combinations.

17. Segmented Information - continued

	As at and for the six months ended June 30, 2010						
	Medical Assessments and Rehabilitation $	Eldercare and Homecare $	Surgical and Medical Centres $	Pharmacy $	Home Medical Equipment $	Corporate $	Total $
Revenue	15,077	13,910	680	-	-	-	29,667
Depreciation and amortization	61	151	8	-	-	4	224
Finance expense	-	-	-	-	-	459	459
Income (loss) before interest expense and income taxes	2,982	2,964	(24)	-	-	(2,392)	3,530
Capital expenditures	338	281	-	-	-	-	619
Goodwill	47	14,166	-	-	-	-	14,213
Total assets	6,567	28,310	807	-	-	(438)	35,246

	For the three months ended June 30, 2010						
	Medical Assessments and Rehabilitation $	Eldercare and Homecare $	Surgical and Medical Centres $	Pharmacy $	Home Medical Equipment $	Corporate $	Total $
Revenue	8,297	7,289	341	-	-	-	15,927
Depreciation and amortization	22	97	8	-	-	3	130
Finance expense	-	-	-	-	-	282	282
Income (loss) before interest expense and income taxes	1,734	1,618	(16)	-	-	(1,351)	1,985

18. Supplementary Disclosure to the Consolidated Statements of Cash Flows

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Receivables	**1,020**	(1,190)	**(1,699)**	(2,670)
Inventories	**(73)**	-	**(69)**	-
Prepaid expenses	**(118)**	48	**(68)**	(11)
Trade and other payables	**(819)**	1,029	**(456)**	1,760
Deferred revenue	**(33)**	-	**(328)**	-
Income taxes payable	**(681)**	448	**(759)**	656
	(704)	335	**(3,379)**	(265)

Other supplementary cash flow information:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Income taxes paid	**1,091**	115	**1,311**	347

19. Subsequent Events

The following events occurred subsequent to June 30, 2011:

- Subsequent to June 30, 2011, following a process involving an independent committee of the Board of Directors of the Company, the Company acquired all of the shares of GHIS Capital. The process included a fairness opinion from a leading professional services firm, to assist in supporting the value of the AHP warrant owned by GHIS Capital. GHIS Capital's sole asset was the AHP warrant. Pursuant to the contractual arrangements between GHIS Capital and the Company, AHP was a wholly-owned subsidiary that was formed to be the entity through which all new business opportunities, distinct from the Company's current operations, would be conducted. The warrant enabled GHIS Capital to acquire a 25% interest in AHP for $33. As consideration for such acquisition, the Company issued 3.5 million treasury shares to the shareholders of GHIS Capital, to be held in escrow for one year. Upon completion of the AHP transaction on July 31, 2011, the existing security holder agreement between the Company and GHIS Capital was terminated.

  As a consequence of the acquisition of GHIS Capital and the termination of the security holder agreement, GHIS Capital's entitlement to a 25% participation in the Company's expansion into new health care sectors has been eliminated thus simplifying the Company's corporate structure and aligning the interests of all shareholders. The fair value of the 3.5 million shares at the date of issue will be accounted for as a charge to retained earnings during the third quarter of 2011.