Management's Discussion and Analysis

For the Three and Nine Months ended September 30, 2011

Dated November 10, 2011

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For the Three and Nine Months Ended September 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 nine months ended September 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 nine months ended September 30, 2011 and 2010. The unaudited interim consolidated financial statements for the three and nine months ended September 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 September 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 November 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 September 30, 2011

- On August 15, 2011, the Company completed its acquisition of the assets of Dedicated National Pharmacies adding ten locations to its specialty pharmacy business in Ontario;
- On August 17, 2011, the Company completed its acquisitions of Blue Water Surgical and London Scoping Centres Inc. adding to its portfolio of surgical and medical clinics across Ontario;
- Revenue increased to $67.1 million, as compared to $15.8 million in the comparable quarter of 2010 largely due to the acquisitions made in the year, primarily that of LifeMark;
- Adjusted EBITDA[1] increased to $9.7 million, as compared to $2.2 million in the comparable quarter of 2010;
- Adjusted EBITDA per share increased 197% to $0.092 per share from $0.031 per share on a diluted basis as compared to the comparable quarter of 2010;
- On October 24, 2011, the Company filed a base shelf prospectus with the intention of raising additional capital through issuance of debt securities, common shares and share purchase warrants;
- Impact of IFRS Adoption: The significant impacts of adoption of IFRS for the Company during the three months ended September 30, 2011, are the following:
    - The Company has recognized a liability on its statement of financial position related to contingent consideration of $102.6 million. Of this amount, $98.8 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;
    - The Company recognized a non-cash gain of approximately $53.1 million, representing the decrease in fair value of its share-based business acquisition contingent purchase consideration; and,
    - The Company expensed $0.9 million in transaction costs related to its acquisition activities for the three month period ended September 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 businesses, the Company generates its revenues by providing healthcare services, physiotherapy treatments, disability management, third-party medical assessments, physiotherapy network management, specialty pharmacy, and surgical services to its patients, homecare and physiotherapy services to long-term care and retirement home residents, and sales of home medical equipment. Centric is pursuing a diversified, integrated, and multi-disciplinary approach via an acquisition strategy to become Canada's premier healthcare company that provides innovative solutions centered on patients and healthcare professionals.

Business Strategy

Centric Health is pursuing a strategy of expansion and aggressive 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.

Acquisitions in the current year have been focused in physiotherapy and assessment services, surgical clinics and pharmacy.

Centric Health believes that it can differentiate its services and product offering by partnering with healthcare professionals and employees to achieve clinical excellence. One of the objectives of the base shelf prospectus is to offer Centric staff, associates and healthcare professionals, via a direct selling program, an opportunity, to invest in an industry in which they work and understand. Centric Health's long-term objective is that management, staff and healthcare professionals will own between 30% to 40% of the Company. This will allow Centric to offer patients an integrated, multi-disciplinary, personalized unique brand of care.

In line with the Company's strategy to expand into surgical and medical centres, on August 17, 2011, the Company completed the acquisitions of the assets of Blue Water Surgical Centre Ltd., Blue Water Rejuvenation Inc., Blue Water Diagnostics Ltd. and Windsor Endoscopy Centre Ltd., and 75% of the outstanding shares in the London Scoping Centre (collectively the "Blue Water surgical and medical centres" or "BWC"), that provide surgical and endoscopic procedures in Sarnia, Windsor and London, Ontario.

On August 15th, 2011, the Company completed its acquisition of the assets of Dedicated National Pharmacies ("DNP"). The business represents a network of ten specialty pharmacies across Ontario supporting treatment and care for patients undergoing addiction treatment. DNP has the ability to service 34 addiction treatment centres across Ontario from its facilities.

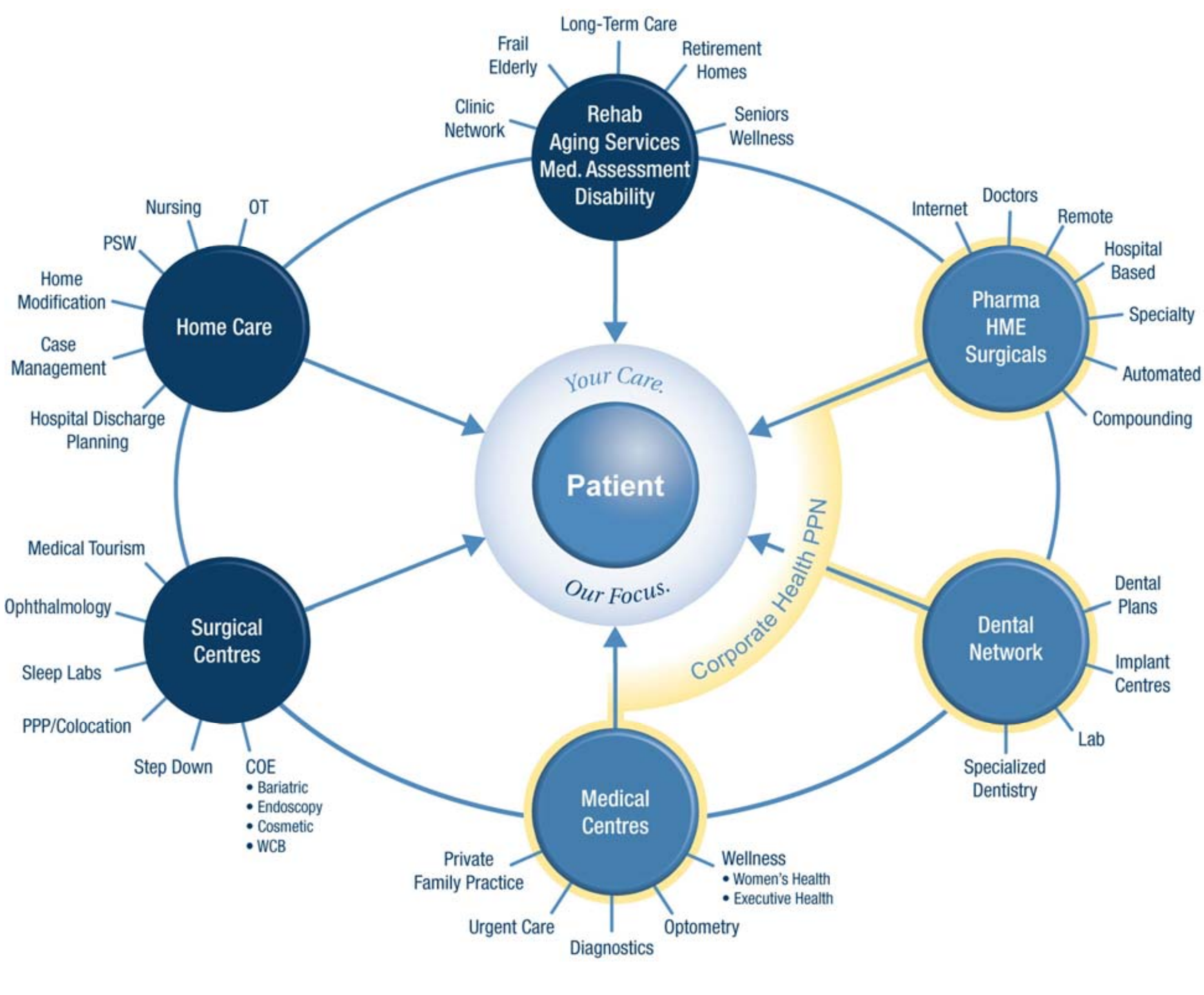
Prior to the third quarter, on June 9, 2011, the Company successfully completed the acquisition of LifeMark. Operational results include the results of the LifeMark businesses for the entire three-month period ended September 30, 2011 and year-to-date results include operations from the date of acquisition on June 9, 2011, to September 30, 2011. LifeMark specializes in seniors' wellness, rehabilitation and disability management services, medical assessments, occupational health and the sale of home medical devices and equipment. LifeMark's business includes 104 physiotherapy rehabilitation clinics and 11 assessment facilities across Canada, physiotherapy services to 115 seniors' long-term care and retirement homes in Ontario, surgical services through Canada Surgical Solutions ("CSS") and corporate-owned medical equipment retail stores and franchises across Canada under the brand name MediChair. This acquisition adds presence for the Company in Western Canada in 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 where it operates a fully accredited, 13,000 square foot, surgical facility. The CSS facility has three operating rooms and can accommodate up to 36 overnight stay patients.

On January 19, 2011, the Company acquired Surgical Spaces Inc. ("SSI"). SSI is the owner and operator of two of Canada's leading ambulatory healthcare facilities, in Vancouver, British Columbia and Winnipeg, Manitoba.

Centric's quarterly performance reflects the addition of the DNP and BWC businesses from their dates of acquisition on August 15, 2011, and August 17, 2011, respectively. It is expected that organic growth, as well as, rationalization opportunities resulting in reduced corporate and operating costs will be realized over the next several quarters. Efficiencies have begun to be realized through consolidation of premises, facilitating centralization of support services and staff, and will continue in the coming quarters through IT systems integrations, centralized purchasing and standardization of various transaction streams in the operations of the businesses.

Business Outlook

Management continues to pursue its aggressive strategy of acquisitions and growth. A critical element to this strategy is the integration of the acquisitions across the operating segments of the Company. Over the next several months, through centralization of locations and administrative functions, consolidation of support services and staff, it is expected that significant savings can be realized. It is estimated that over the next several quarters, management will realize cost savings of approximately $5,500 through rationalization opportunities and in economies of scale. In addition, to increase the effectiveness of these strategies and capitalize on the opportunities in the market, management is making key strategic hires in the areas of operations, business development and senior management. Synergies between existing and acquired businesses are expected to provide opportunities for increased presence in the markets which the Company operates, providing opportunities to engage in more significant contracts and relationships with new and existing clients.



Segment Overview

Physiotherapy and Assessments

The Physiotherapy and Assessments segment is comprised of the businesses of the physiotherapy clinic network managed by Active Health Services Ltd., 104 physiotherapy clinics owned and operated by LifeMark, 11 medical assessment facilities across Canada, seniors' wellness operations of Active Health and LifeMark and the homecare business operated by Community Advantage Rehabilitation, Inc. ("CAR"). The businesses in the Physiotherapy and Assessments segment are preferred providers to a number of insurance providers in Canada and the seniors' wellness and homecare businesses are largely funded by the Ontario Ministry to Health and Long Term Care ("MOHLTC").

The segment focuses on assessing and treating patients who have suffered motor vehicle and workplace injuries by providing independent evaluations to insurers and rehabilitation services to patients across Canada, as well as specializing in high quality rehabilitation and disability management services that focus on physiotherapy services to seniors in 454 retirement, assisted-living and long-term care homes operating in the province of Ontario through its network of independent consultants. Through relationships with patients, insurers and healthcare providers, the Company is providing superior service to its clients and patients by promoting best practice rehabilitative treatment plans and constantly compiling and analyzing data on patient outcomes.

Assessment 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. Revenues and margins have been negatively impacted by the regulatory reform as well as consolidation within the industry. Management continues to pursue revenue-generating opportunities in the segment to mitigate the effect of regulatory changes and navigate the best outcomes for patients and the business. The assessment business has been successful in obtaining additional contracts through proposals that will add to revenues for the balance of the fiscal year and into the following fiscal years. The outlook of this segment is positive with its increased national presence as well as implementation of efficiencies and cost savings in operations.

Since its acquisition in May, 2009, the Active Health business has grown from servicing 251 homes to 339 homes before the addition of the LifeMark business. The Company's completion of the LifeMark acquisition on June 9, 2011, added 115 homes and 12,174 beds to the seniors' wellness business. During the nine-month period ended September 30, 2011, this segment added 5,588 new beds serviced to bring the total number of beds serviced by the seniors' wellness business to 45,865.

The business performs homecare services in the communities funded by the Community Care Access Centre ("CCAC") through the MOHLTC. CAR engages occupational therapists, physiotherapists, registered dieticians and social workers to fulfill these services.

The increased revenue in the quarter compared to the same period in the prior year is primarily due to the contribution of the acquired businesses in 2011.

Surgical and Medical Centres

Centric Health has eight Surgical and Medical Centres across Canada with a total of 25 procedure rooms and 104 beds. The segment is comprised of the operations of Don Mills Surgical Unit Ltd. ("DMSU"), SSI and CSS. During the three-month period ended September 30, 2011, the Company acquired the businesses of BWC. The addition of BWC expands the surgical and medical offerings in Sarnia, Windsor and London, Ontario through its surgical and endoscopy clinics. The results of operations from BWC are included from the date of acquisition, August 17, 2011 through September 30, 2011.

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 annually performs approximately 1,200 day-surgeries in addition to its inpatient surgical procedures.

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. As of September 30, 2011, there were five public-private partnership contracts awarded to the businesses in Vancouver and Winnipeg from their respective provincial governments.

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. The hospital is licensed to service 20 overnight stay beds. During the nine months ended September 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.

Pharmacy and Home Medical Equipment

On August 15, 2011, the Company completed its acquisition of the assets of DNP. The business represents a network of ten specialty pharmacies across Ontario supporting treatment and care for patients undergoing addiction treatment through 34 addiction treatment centres. The addition of DNP is an acquisition that will develop a network of specialty and niche pharmacies. For the three-month period ended September 30, 2011, the results of operations of DNP were included from August 15, 2011, the date of acquisition, to September 30, 2011.

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.

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 royalties earned from franchised stores. The Company owns five stores and has 55 franchise agreements for an additional 72 franchise locations across the country. Revenue from MediChair is split between royalties earned and product sales from the corporate owned stores.

Subsequent to September 30, 2011, the Company announced its intention to acquire Motion Specialties Inc., one of Canada's largest home health care businesses with 24 locations across Canada.

(in thousands of dollars, except share amounts)

Selected Financial Information

The following selected financial information for the three and nine months ended September 30, 2011, and 2010, has been derived from the unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2011, and should be read in conjunction with those financial statements and related notes. The results of acquisitions made in the current year are added from their respective dates of completion. Non-IFRS measures are defined and reconciled in the section immediately following the selected financial information.

	Three months ended September 30,			**Nine months ended September 30,**		
	2011	2010		**2011**	2010	
	$	$	$ Chg	**$**	$	$ Chg
Revenue	**67,096**	15,755	51,341	**123,727**	45,422	78,305
Profit from operations	**8,428**	2,059	6,369	**12,809**	6,126	6,683
% of revenue	**12.6%**	13.1%	NM	**10.4%**	13.5%	NM
Income before interest expense and income taxes	**59,848**	1,646	58,202	**69,101**	5,176	63,925
EBITDA [2]	**61,935**	1,968	59,967	**73,200**	6,110	67,090
Adjusted EBITDA[3]	**9,698**	2,198	7,500	**15,114**	6,489	8,625
Per share - basic ($)	**$0.117**	$0.036	$ 0.081	**$0.196**	$0.106	$ 0.089
Per share – diluted ($)	**$0.092**	$0.031	$ 0.061	**$0.155**	$0.091	$ 0.064
Adjusted EBITDA margin	**14.5%**	14.0%		**12.2%**	14.3%	
Current income tax expense	**511**	348	163	**1,115**	1,350	(235)
Deferred income tax expense	**114**	142	(28)	**506**	308	198
Net income	**52,625**	951	51,674	**58,506**	2,854	55,652
Per share ($) – basic	**$0.633**	$0.016	$ 0.617	**$0.757**	$0.047	$ 0.710
Per share ($) – diluted	**$0.501**	$0.013	$ 0.488	**$0.600**	$0.040	$ 0.560
Weighted average shares outstanding	**83,156**	61,152	22,004	**77,285**	61,117	16,168
Shares outstanding September 30,	**151,064**	61,195	89,869	**151,064**	61,195	89,869

NM – Not meaningful

[2] EBITDA includes the non-cash gain arising from the change in fair value of non-cash contingent consideration

[3] Defined in Reconciliation of Non-IFRS Measures

(in thousands of dollars, except share amounts)

Reconciliation of Non-IFRS Measures

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

EBITDA and Adjusted EBITDA

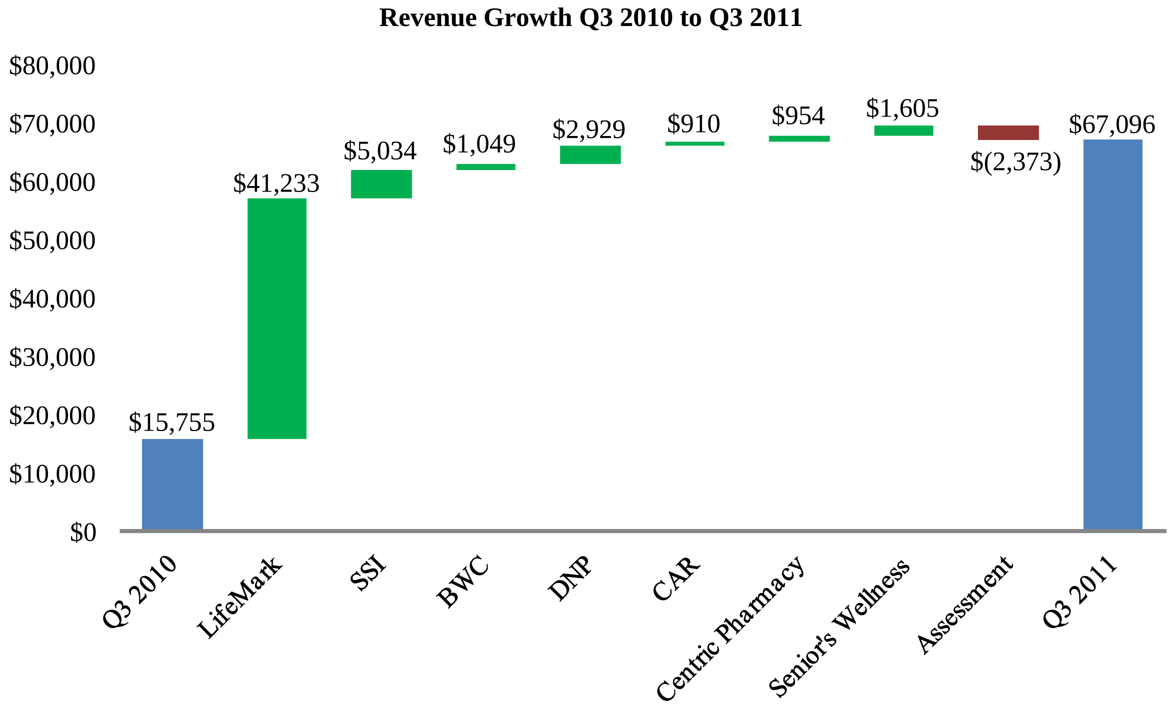
The Company defines EBITDA as earnings before interest expense, income taxes, amortization and stock-based compensation expense. Adjusted EBITDA is defined as EBITDA before transaction costs related to acquisitions and changes in the fair value of the contingent consideration liability recognized in 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 September 30,		**Nine months ended September 30,**	
	2011	2010	**2011**	2010
	$	$	**$**	$
Net income	**52,625**	951	**58,506**	2,854
Amortization	**1,270**	139	**2,305**	363
Interest expense	**5,018**	205	**7,489**	664
Mark to market on interest swap	**1,580**	-	**1,485**	-
Stock-based compensation	**817**	183	**1,794**	571
Income taxes	**625**	490	**1,621**	1,658
EBITDA	**61,935**	1,968	**73,200**	6,110
Transaction costs	**873**	184	**4,554**	333
Change in fair value of contingent consideration liability	**(53,110)**	46	**(62,640)**	46
Adjusted EBITDA	**9,698**	2,198	**15,114**	6,489
Basic weighted average number of shares	**83,156**	61,152	**77,285**	61,117
Adjusted EBITDA per share (basic)	**$ 0.117**	$ 0.036	**$ 0.196**	$ 0.106
Fully diluted weighted average number of shares	**105,053**	71,034	**97,531**	70,968
Adjusted EBITDA per share (diluted)	**$ 0.092**	$ 0.031	**$ 0.155**	$ 0.091

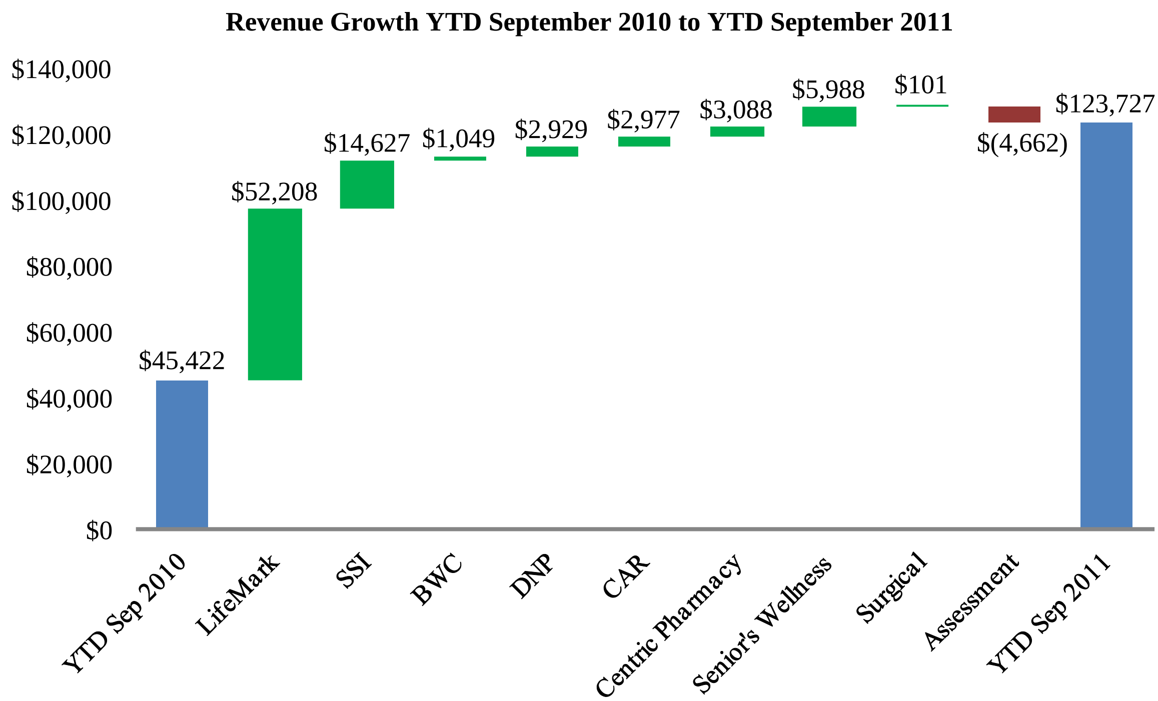
Results of Consolidated Operations

Revenues

The Company's consolidated revenue for the three months ended September 30, 2011 increased by $51,341 to $67,096 over the comparable period in the prior year. The increase was due mainly to growth from acquisitions. Revenue growth from the current year acquisitions of LifeMark was $41,233, SSI was $5,034, BWC was $1,049, and DNP was $2,929 and the acquisitions of the prior year from CAR of $910 and Pharmacy of $954. The balance of the change in revenue is a net decrease of $768 from previously existing businesses.



Revenue for the nine months ended September 30, 2011 increased by $78,305 to $123,727. This increase was primarily due to contribution from the LifeMark acquisition of $52,208, revenue from SSI of $14,627, BWC and DNP as stated above of $1,049 and $2,929, respectively, and revenue from the acquisitions completed in 2010 of $2,977 and $3,088 from CAR and Centric Pharmacy, respectively, and a net increase of $1,057 from the previously existing businesses.



Physiotherapy and Assessments revenue is comprised of fees for services rendered to patients, auto insurers, workers compensation boards and employers for rehabilitative and assessment services rendered through owned physiotherapy and assessment clinics as well as the managed network of member clinics, 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 patients through the CCAC.

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. The addition of the BWC business in the three months ended September 30, 2011, will diversify the services offered by the surgical and medical segment as well as increase the revenue derived from the Ontario market for the surgical and endoscopic services provided in the BWC facilities.

Pharmacy revenues are sales of prescription drugs and over-the-counter and sundry retail items. These revenues are paid by private or government insurance plans or directly from the patient. Pharmacy revenue has increased significantly in the three months ended September 30, 2011 due to the addition of the DNP business. The pharmacy segment began operations October 1, 2010 and therefore does not have comparative data from the comparable periods in the prior year. 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 September 30, 2011 are included in the interim consolidated financial statements.

Expenses

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

Cost of healthcare services and supplies for the three months ended September 30, 2011 was $33,136 compared to $9,689 in the prior year driven by the increase in revenues from acquired businesses. Employee costs include salaries and benefits of employees working directly in each business segment. For the three months ended September 30, 2011, employee costs were $13,203 compared to $1,942 in the prior year. Other operating expenses include occupancy costs, insurance, communication, advertising and promotion and administrative expenses incurred at the operational level. Other operating expenses in the three months ended September 30, 2011, were $9,069 compared to $996 in the prior year. Corporate office expenses include salaries and benefits, occupancy costs, insurance, communication, advertising and promotion and other costs of the corporate offices. The corporate office supports human resources, finance and information technology as well as the executive management of the Company. Corporate office expenses for the three months ended September 30, 2011 were $1,990, compared to $930 in the prior year. Although the support services provided through the corporate offices largely support the operations of the Company, these costs have not been allocated to the operating segments.

For the three months ended September 30, 2011, profit from operations, expressed as revenue less cost of healthcare services and supplies, employee costs, other operating expenses, corporate office expenses and depreciation and amortization was $8,428 or 12.6% of revenues. Compared to the same period of the prior year, profit from operations was $2,059 or 13.1% of revenues. The increase in profit from operations of $6,369 was driven by acquisitions, the increased revenues in seniors' wellness and the performance from acquired businesses of BWC, DNP, LifeMark and SSI. As a percentage of revenue, profit from operations decreased from the same period in the prior year due to the added costs of the acquired businesses and differences in margins of business segments . These costs, in some areas, are redundant and the Company and its management are working to streamline these areas. Cost rationalizations will be seen in the coming quarters.

Cost of healthcare services and supplies for the nine month period ended September 30, 2011 was $65,887 compared to $27,795 for the same period in the prior year. The increased costs are in line with the acquired businesses during the year. Employee costs for the nine months ended September 30, 2011, were $22,065 compared to $5,464 for the same period in the prior year. Other operating expenses and corporate office expenses for the nine months ended September 30, 2011, were $15,138 and $5,523, respectively, compared to $2,715 and $2,959, respectively for the same period in the prior year.

Profit from operations for the nine months ended September 30, 2011, was $12,809 compared to $6,126 for the same period in the prior year. The increase is due to the added contribution of the acquired businesses in the period.

Overall, the added costs are largely due to the addition of key appointments, research and development staff and administrative costs from the acquisitions before rationalization strategies have been fully implemented. In addition, the integration of the LifeMark acquisition is in its early stages and cost savings and rationalization between operations have only been marginally 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. The corporate administrative functions have largely been aligned and consolidated into one location.

Amortization was higher during the quarter ended September 30, 2011 due to the amortization of the capital assets acquired in the SSI and LifeMark acquisitions. Amortization for the three months ended September 30, 2011, was $1,131 higher than in the same period in the prior year. Amortization for the nine months ended September 30, 2011 was $1,942 higher than in the same period in the prior year.

Stock-based compensation, a non-cash expense, increased by $634, to $817, in the three months ended September 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.

(in thousands of dollars, except share amounts)

Stock-based compensation for the nine months ended September 30, 2011 was $1,794, an increase of $1,223 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 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.

Interest expense for the three and nine-month periods ended September 30, 2011, relates to the term loan and revolving facility arranged in June 2011, the distribution on preferred partnership units recognized as debt, 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. In addition, during the three months ended September 30, 2011, the Company entered into an interest rate swap that it had not designated as an effective hedge.

Interest expense for the three-month period ended September 30, 2011, included $348 of amortization of loan arrangement fees (2010 - $89). Interest accrued on the related party subordinated debt totaled $75 (2010 – Nil) for the three month period ended September 30, 2011, and accretion totaled $83 for the same period (2010 – Nil). Included in interest expense for the nine-month period ended September 30, 2011 was $397 related to accelerated amortization of fees related to extinguished debt and $321 of accelerated accretion of discounts associated with the repaid related party loan.

Interest expense has increased significantly in the three month period ended September 30, 2011, as compared to the prior year, due to the increased overall debt, addition of the term loan and revolving facility entered into as well as the preferred partnership units acquired in the LifeMark acquisition in June, 2011, capital leases, and interest on the related party loans. The changes in fair value of the mark-to-market value of the interest rate derivatives for the three and nine months ended September 30, 2011, was $1,580 and $1,485, respectively.

Interest for the nine month period ended September 30, 2011, is $6,825 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 September 30, 2010.

	Three months ended September 30,		**Nine months ended September 30,**	
	2011	2010	**2011**	2010
	$	$	**$**	$
Interest on long-term loan and revolving facilities	**4,282**	49	**4,937**	338
Amortization of loan arrangement fees	**348**	89	**1,033**	214
Amortization of the deferred loss on interest swap	**198**	84	**260**	129
Interest on related party debt	**75**	-	**376**	-
Accretion of related party discounts	**83**	-	**803**	-
Interest on capital leases	**62**	-	**172**	-
Total interest expense	**5,048**	222	**7,581**	681
Interest income	**(30)**	(17)	**(92)**	(17)
Net interest expense	**5,018**	205	**7,489**	664
Mark to market on interest rate derivatives	**1,580**	-	**1,485**	-
Total interest and interest-related expenses	**6,598**	205	**8,974**	664

(in thousands of dollars, except share amounts)

Results of Segmented Operations

The following sections discuss the results of operations for the three and nine-month periods ended September 30, 2011 for the various operating segments of the Company. Segments, as reported to the Chief Operating Decision Makers ("CODM") are as follows: Physiotherapy and Assessments, Surgical and Medical Centres, and, Pharmacy and Home Medical Equipment.

Three months ended September 30,	**Revenue**		**Profit (loss) from operations**	
	2011	2010	**2011**	2010
	$	$	**$**	$
Physiotherapy and Assessments	**$ 53,085**	$ 15,399	**$ 7,773**	$ 2,836
Surgical and Medical Centres	**7,575**	356	**984**	(23)
Pharmacy and Home Medical Equipment	**6,436**	-	**1,867**	-
Total[2]	**$ 67,096**	$ 15,755	**$ 10,624**	$ 2,813

Nine months ended September 30,	**Revenue**		**Profit (loss) from operations**	
	2011	2010	**2011**	2010
	$	$	**$**	$
Physiotherapy and Assessments	**$ 96,243**	$ 44,385	**$ 14,473**	$ 9,036
Surgical and Medical Centres	**18,213**	1,037	**1,904**	(47)
Pharmacy and Home Medical Equipment	**9,271**	-	**2,103**	-
Total[2]	**$ 123,727**	$ 45,422	**$ 18,480**	$ 8,989

Physiotherapy and Assessments

Revenue for this segment is comprised of the operations of the physiotherapy clinics across Canada acquired in the LifeMark transaction, the network of member clinics managed by the Company, assessment facilities across the country, the seniors' wellness and homecare businesses in Ontario.

	Three months ended September 30,		**Nine months ended September 30,**	
	2011	2010	**2011**	2010
	$	$	**$**	$
Revenue	**53,085**	15,399	**96,243**	44,385
Profit from operations	**7,773**	2,836	**14,473**	9,036

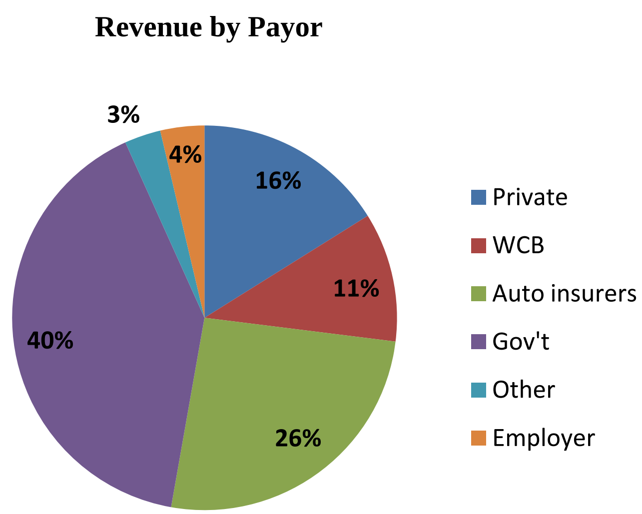
The significant increase in revenues and profit from operations in this segment is due to the acquisition of LifeMark. Management continues to work towards consolidation of administrative and support staff to improve the efficiency of operations supporting the underlying businesses as well as rationalization of costs. Revenue from the LifeMark clinics for the three and nine-month periods ended September 30, 2011 was $25,055 and $31,727, respectively.

Profit from operations for the three months ended September 30, 2011, was $7,773, an increase of 174% over the same period last year. Results for the nine-month period ended September 30, 2011 include the results from the LifeMark acquisition from June 9, 2011 onwards. The significant increase in revenues and profit from operations is due to the inclusion of the LifeMark acquisition.

Results for the three-month period ended September 30, 2011, are traditionally the slowest quarter of the fiscal year resulting in a seasonal dip in the referrals to rehabilitation clinics and lower revenues.

[2] Total profit from operations does not include an allocation of corporate costs and depreciation and amortization incurred at the corporate level.

Revenue from the Physiotherapy and Assessments segment for the nine-month period ended September 30, 2011, is distributed by payor as follows:



The assessment business, within the Physiotherapy and Assessments segment, referred from auto insurers has continued to decline in the three-month period ended September 30, 2011, excluding the impact of acquisitions, compared to the same period last year which has been reflective of the impact of regulatory reform on this segment. Analysis of results on an organic basis compared to the prior year show a decline in revenue of $2,373 and $4,662 for the three and nine-month periods ended September 30, 2011, respectively. This is largely due to the regulatory reform of minor injury guidelines, price caps, change in case-mix of referrals and consolidation within the industry.

The impact of the implementation of regulatory reforms enacted in September 2010 has been mitigated somewhat by the acquisition of the new businesses; however, the acquired assessment businesses have also seen challenges in their ability to perform to forecasted revenue and profit margins. Challenges in growing the business remain present and management is working towards increasing market share to mitigate the negative impact due to changes in the case-mix and effects of price caps imposed by regulatory reforms. Management has worked diligently to make cost-effective changes in the division to maintain profit margins including consolidating the administration of the business into a single location and aligning the businesses onto one operating system.

In addition to the cost saving measures in progress, management is aggressively pursuing revenue generating opportunities with auto insurers and workers compensation boards and has successfully obtained additional contracts with insurers in the current quarter for future work.

The acquisition of LifeMark benefits the overall segment by adding critical mass in the national market, providing greater diversification within the auto insurance industry, adding disciplines to our current assessor roster and adding resources to allow the business to capitalize on opportunities within the disability, employer and government markets.

Revenue for services rendered by the seniors' wellness and homecare businesses was $13,578 and $34,762 for the three and nine-month periods ended September 30, 2011, respectively. This growth is attributable to the addition of revenue from LifeMark's seniors' wellness division of $3,231 and $4,056 for the three and nine-month periods, respectively, the inclusion of the homecare business, as well as due to organic growth in the seniors' wellness business through successful awards of new contracts with long-term care and retirement home providers.

(in thousands of dollars, except share amounts)

Seniors' wellness added 5,588 new beds in its existing business in the nine months ended September 30, 2011, which has contributed revenue growth of approximately $3,200. The beds added from the LifeMark acquisition were 12,174 beds serviced in 115 homes as at June 9, 2011.

Seniors' wellness and homecare are wholly based in Ontario and the majority of revenue is funded through various government insurance programs and agencies related to the MOHLTC.

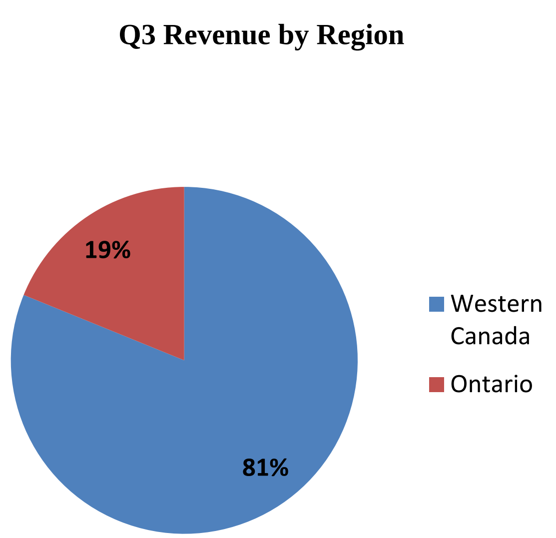
Surgical and Medical Centres

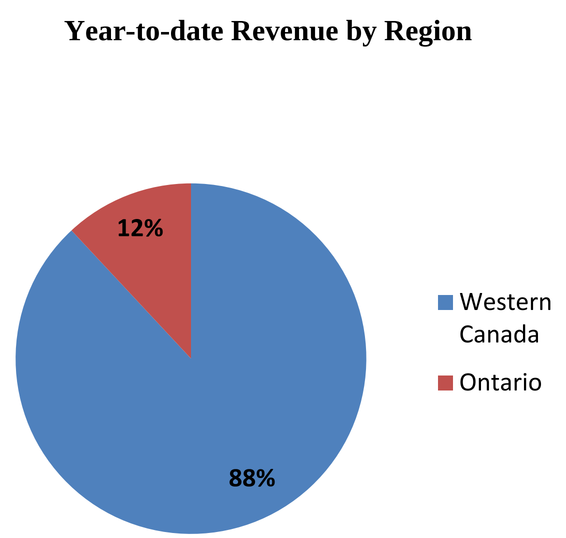
The following table compares Surgical and Medical Centres results for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Revenue	**7,575**	356	**18,213**	1,037
Profit (loss) from operations	**984**	(23)	**1,904**	(47)

Revenue generated by the Surgical and Medical segment for the three months ended September 30, 2011, was $7,575, a significant increase from the prior year resulting from the SSI acquisition effective January 19, 2011, the CSS acquisition as part of the LifeMark transaction from June 9, 2011 and the inclusion of the BWC businesses from the date of acquisition of August 17, 2011. For the three months ended September 30, 2011, SSI contributed $5,034, CSS contributed $1,113 and BWC contributed $1,049 to the increased revenue from the surgical and medical centres. The increase from the comparative period is primarily due to the addition of these businesses in the current period.

The following charts show the results of the acquisition of BWC on the Surgical and Medical Centres segment for the three and nine-month periods ended September 30, 2011. The significant impact of the SSI business is shown in the amount of revenue derived in Western Canada with its operations in Vancouver and Winnipeg. In the coming quarters, the acquisition of BWC will diversify the surgical and medical revenue between Ontario and Western Canada.





(in thousands of dollars, except share amounts)

Pharmacy and Home Medical Equipment

The following table shows the results of the Pharmacy and Home Medical Equipment segment for the three and nine-month periods ended September 30, 2011. The Pharmacy and Home Medical Equipment segment was established in the fourth quarter of 2010; therefore, there is no comparative data to the prior year.

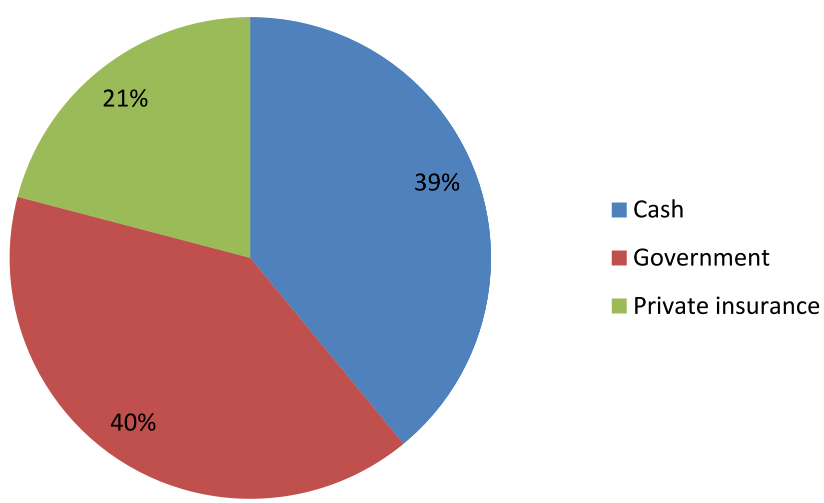
	Three months ended September 30,		**Nine months ended September 30,**	
	2011	2010	**2011**	2010
	$	$	**$**	$
Revenue	**6,436**	-	**9,271**	-
Profit from operations	**1,867**	-	**2,103**	-

The significant change in the Pharmacy and Home Medical Equipment segment is due to the acquisition of the DNP business on August 15, 2011, and the addition of MediChair, included in the LifeMark acquisition on June 9, 2011. The DNP business earns a higher margin than the retail pharmacies in Newmarket, Ontario. The performance of the Pharmacy and Home Medical Equipment segment is expected to continue improving in the coming quarters; however, the margins enjoyed in the period from acquisition to September 30, 2011, were higher than expected. The pharmacy businesses continue 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.

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 retail sales through corporate-owned stores as well as royalties earned from franchised stores. As LifeMark was acquired on June 9, 2011, the results for the nine months are from June 9, 2011 to September 30, 2011. During the three-month period ended September 30, 2011, an additional corporate owned store was purchased for $493. Management has identified and has begun to roll-out rationalization strategies for the administration and support of the MediChair business. Subsequent to September 30, 2011, the Company announced its intention to acquire Motion Specialties Inc., which would significantly increase national presence in the home health care sector.

The revenue from the pharmacy business is paid either directly from patients, through government insurance plans or various private insurance plans as is illustrated below:

Pharmacy Revenue by Payor



(in thousands of dollars, except share amounts)

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 nine-month periods ended September 30, 2011, the effective tax rates are 1.2% and 2.7%, respectively, 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 nine month periods ended September 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 $34,418 at September 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 September 30, 2011 compared to December 31, 2010 is as follows:

	September 30, 2011	December 31, 2010	**$ Change**	**% Change**
Physiotherapy and Assessments	**$ 25,337**	$ 10,346	$ 14,991	145%
Surgical and Medical Centres	**1,955**	-	1,955	NM
Pharmacy and HME	**3,496**	200	3,296	NM
Corporate	**130**	42	88	210%
Total	**$ 30,918**	$ 10,588	$ 20,330	192%

The increase in accounts receivable in the Physiotherapy and Assessments segment is primarily 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 BWC, CSS and SSI, all acquired in the nine months ended September 30, 2011. The increase of the Pharmacy and HME receivables is due to the acquisition of LifeMark and the DNP business resulting in increased revenues and receivables as compared to 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 September 30, 2011, total $11,875. 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 September 30, 2011, the Company had borrowed $157,500 against the term facility and $3,882 against the revolving facility. The Company has made principal repayments of $2,500 against the term loan in the three and nine-month periods ended September 30, 2011.

Subsequent to September 30, 2011, management has requested additional funding in terms of a pre-arranged accordion of $40,000, to be made available under its revolving facility, from its lenders for acquisitions; and, has also requested adjustments to its covenant restrictions for the next four quarters.

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. The Company filed a base shelf prospectus on October 24, 2011, to raise additional capital of up to $265,500 through the issuance of debt securities, common shares and share purchase warrants.

The changes in cash balances are explained below:

Operating Activities

For the nine months ended September 30, 2011, cash provided by operating activities was $6,977 compared to $3,837 provided by operating activities for the same period in 2010. Included in operating activities are transaction costs incurred of $4,554 for the nine months ended September 30, 2011. Cash provided by operating activities, exclusive of transaction costs, is $11,531 for the nine-month period ended September 30, 2011.

Non-cash working capital increased by $1,880 during the nine-month period versus an increase of $1,036 in the same period in 2010. Receivables decreased by $74 in the nine-month period reflecting the Company's focus on collections from its customers and patients. Days sales outstanding ratio has decreased from the prior quarter to approximately 47 days (2010 – 57 days). Trade and other payables, including accruals, decreased by $517 in the nine-month period which reflects payments according to terms with our vendors. The inclusion of the acquired businesses are the main factors supporting this increase in accounts payable.

Investing Activities

During the three months ended September 30, 2011, the Company acquired the assets of DNP and BWC and 75% of the outstanding shares of LSC. The Company paid $9,431 in cash and issued 200,000 common shares in the Company for the assets of DNP. The consideration paid for the assets of BWC was $7,675 in cash and up to 6,153,846 common shares and warrants to purchase up to 3,076,923 common shares in the Company based on BWC's earnings for the period ended September 30, 2014. The Company has a holdback of $175 with respect to the working capital of the BWC business. The consideration paid for the acquisition of the LSC shares was paid $500 in cash for 75% of the issued and outstanding shares in LSC and 675,000 common shares and a warrant to purchase 375,000 common shares in the Company based on LSC's earnings for the period ended September 30, 2014. The Company also acquired an additional MediChair store location in North Toronto for $493 in cash.

During the nine months ended September 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. During the quarter, the loan agreement was extended to January 31, 2012. The total amount of the loan receivable as of September 30, 2011 is $2,029. Included in the balance of this loan are the cash advances of $2,000 and fees of approximately $29. 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, payment of $65,000 in cash to a preferred unit holder, 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 nine months ended September 30, 2011 amounted to $969 and $2,247, respectively (2010 - $126 and $407). Included in the equipment purchased in the three and nine month periods was capital equipment used in the surgical business and leasehold improvements to the Centric Seniors' Centre and other facilities. Intangible assets purchased in the three and nine month periods totaled $56 and $243, respectively, which is largely software (2010 – $74 and $412).

In addition to the businesses acquired, as discussed above, during the nine months ended September 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 nine months ended September 30, 2011, the Company repaid borrowings of $84,878, including the required principal repayment of $2,500 on its existing term loan and approximately $51,200 in existing debt in LifeMark, upon acquisition. Under the term loan, the Company was advanced an additional $25,000 to complete its acquisitions of DNP, BWC and LSC. The Company paid $6,503 in cash interest on its borrowings in the nine-months ended September 30, 2011.

During the nine months ended September 30, 2011, the Company obtained a term loan and revolving facility to complete the LifeMark transaction. Under the term loan, the Company has borrowed $160,000 which is shown, net of unamortized loan arrangement fees of $5,638 on the statement of financial position. The Company has also borrowed $3,882 under the revolving facility. At September 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 nine months ended September 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 $986 and received $20,337 in cash for the issuance of shares through a private placement, exercise of options and exercise of warrants.

Equity

Share Capital

During the three-month period ended September 30, 2011, option holders exercised 50,000 options to purchase an equivalent number of shares at a weighted average exercise price per share of $0.47. During the nine-month period ended September 30, 2011, 662,500 options were exercised to purchase an equivalent number of shares at a weighted average exercise price per share of $0.37.

During the three-month period ended September 30, 2011, 200,000 shares were issued as consideration related to the acquisition of DNP. These shares were not subject to any restrictions.

During the three-month period ended September 30, 2011, 3,500,000 shares were issued in connection with the termination of the AHP warrant with GHIS, as more fully described in Note 14 to the unaudited interim consolidated financial statements. These shares are restricted from trading for a period of one year.

As at September 30, 2011, the Company had total shares outstanding of 151,064,397 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, 6,153,846 shares are held in escrow pending BWC achieving certain performance targets, 675,000 shares are held in escrow pending LSC achieving certain performance targets, 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 unaudited interim consolidated financial statements. Accordingly, for financial reporting purposes, the Company reported 84,432,595 common shares outstanding as at September 30, 2011. As at September 30, 2010, there were 61,165,095 shares outstanding.

As at September 30, 2011, there were 21,998,200 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. During the three-month period ended September 30, 2011, 40,000 warrants issued in connection with the private placement were exercised for proceeds of $51.

As at September 30, 2011, there were a total of 10,202,000 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $1.25, expiring at various dates through 2016. The number of exercisable options at September 30, 2011 was 1,558,334 with a weighted average exercise price of $0.57.

Subsequent to September 30, 2011, 714,284 shares were issued to the vendors of CAR as share-based contingent consideration for achieving the first year earnings targets. Market value of the shares on the issue date was approximately $1,000 which will be recorded as an increase in share capital and a reduction of the contingent consideration liability on the date of issuance.

As at the date of this report, November 9, 2011, the number of shares outstanding, including restricted and escrowed shares, is 151,778,681; the number of options outstanding is 10,157,500; and, the number of warrants outstanding is 21,998,200. Included in the shares outstanding are 66,631,802 shares held in escrow, or in trust, and are not freely tradable.

(in thousands of dollars, except share amounts)

Summary of Quarterly Results

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

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal year 2011[3]				
Revenue and other income		$ 67,096	$ 33,596	$ 23,035
Adjusted EBITDA		$ 9,698	$ 3,219	$ 2,197
Adjusted EBITDA per share				
Basic		$ 0.117	$ 0.031	$ 0.028
Diluted		$ 0.092	$ 0.026	$ 0.023
Net income (loss)		$ 52,625[4]	$ 12,955[5]	$ (7,073)[6]
Earnings (loss) per share				
Basic		$ 0.633	$ 0.161	$ (0.092)
Diluted		$ 0.501	$ 0.126	$ (0.092)
Fiscal year 2010 (IFRS)				
Revenue and other income	$ 17,025	$ 15,755	$ 15,927	$ 13,740
Adjusted EBITDA	$ 1,506	$ 2,198	$ 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)[7]	$ 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

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

4 The net income for the quarter ended September 30, 2011 includes a non-cash gain of $53,110 representing the decrease in fair value of contingent consideration liability and $873 of transaction costs related to business acquisitions.

5 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.

6 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.

7 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 DNP, BWC, LifeMark and SSI totaling $50,245.

Management's strategy to improve top line growth through relationship development as well as through strategic acquisitions in segments where the business identifies opportunities for market growth and innovative offerings has resulted in revenues increasing by over 325% from the same period one year ago. In addition, since completing significant acquisitions in the first and second quarters of 2011, management has focused on opportunities afforded by new economies of scale and efficiencies bringing Adjusted EBITDA, as a percentage of revenue, to 14.5% in the three-month period ended September 30, 2011 from 9.6% in the prior quarter and 9.5% in the first quarter of 2011, a level which had not been achieved since the second quarter of 2010. Management has identified that the speed of implementation and integration of acquisitions into the culture and support structure of the Company is a critical success factor, and is focusing their efforts accordingly.

The volatility in net income quarter to quarter in 2011 compared to previous quarters is largely due to the requirements related to acquisitions imposed by the transition to IFRS. Under IFRS, transaction costs are expensed as incurred. Transaction fees incurred are directly related to the size of acquisition targets. Transaction costs have increased proportionally with the size of the acquisitions completed, leading to a significant charge against earnings in the current period. During the three month period ended September 30, 2011, transaction costs were $873 (2010 - $184). 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 nine-month periods ended September 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, warrants accrue to the vendors subject to outperformance of earnings targets. The valuation of contingent consideration on the date the acquisition closes becomes part of the total consideration in the purchase equation. Subsequently, the contingent consideration is revalued on each financial statement date with changes in fair value flowing through the statement of income and comprehensive income. For the three months ended September 30, 2011, the Company recorded a non-cash gain of $53,110, reflective of the change in fair value of contingent consideration related to the purchases of CAR, LifeMark, SSI and BWC. 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 and then, to $1.57 per share on September 30, 2011. The change in fair value of contingent consideration reported in the results of operations for the nine-month period ended September 30, 2011 was a non-cash gain of $62,640 relating to the contingent consideration with respect to the recent 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.

(in thousands of dollars, except share amounts)

Contractual Commitments

During the nine months ended September 30, 2011, the Company assumed finance lease obligations related to its acquisition of SSI and significant operating leases with the acquisition of LifeMark. Other than the 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 September 30, 2011, are summarized in the following table:

	Total	1 year	2-3 years	4-5 years	Thereafter
Term loan	$ 157,500	$ 11,875	$ 28,625	$ 117,000	$ -
Revolving facility	3,882	-	-	3,882	-
Related party debt	5,000	-	5,000	-	-
Operating leases	33,253	7,263	12,023	6,535	7,432
Preferred partnership units	65,500	-	65,500	-	-
Finance leases	2,238	1,873	365	-	-
Total	$ 267,373	$ 21,011	$ 111,513	$ 127,417	$ 7,432

Off-Balance Sheet Arrangements

As at September 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 September 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 September 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 , LifeMark, DNP, BWC and LSC there were no material changes to the Company's internal controls over financial reporting that occurred during the quarter ended September 30, 2011 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

(in thousands of dollars, except share amounts)

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 35,250,000 shares or approximately 23.3% 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. Dr. Shevel is also the President of GHIS.

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

	Three months ended September 30, $		Nine months ended September 30, $	
	2011	2010	**2011**	2010
GHIS fees				
Completion fees	**-**	-	**1,704**	-
Advisory fees	**300**	60	**420**	180
Market capitalization fee	**-**	98	**404**	310
Total fees earned by GHIS in the period	**300**	158	**2,528**	490
GHIS expenses	**-**	24	**39**	52
Interest incurred on Jamon loans	**77**	-	**378**	-
Total transactions with related parties	**377**	182	**2,945**	542

During the three and nine months ended September 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 provided 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. Completion fees of $1,400 were incurred with respect to the LifeMark acquisition.

During the nine months ended September 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 $nil and $39 for the three and nine months ended September 30, 2011, respectively (three and nine months ended September 2010 - $24 and $52, respectively) are not included in the corporate administration expenses disclosed above.

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 nine months ended September 30, 2011, an additional $2,800 related to the new financing arrangements, which, with the LifeMark advisory completion fee, is only due and payable when it meets the conditions set out in the Credit Agreement between Centric and its lenders. 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 September 30, 2011 and December 31, 2010, are $4,391 and $237, respectively, due to GHIS; and $50 and $92, respectively for interest payable to Jamon.

(in thousands of dollars, except share amounts)

Related party loans

During the year ended December 31, 2010, the Company entered into the following loan agreements with Jamon and received proceeds totaling $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 as follows:

	September 30, 2011
	$
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 at inception	**10,000**
Repayment of 7% loan	**(5,000)**
Balance, September 30, 2011	**5,000**

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 nine-month periods ended September 30, 2011.

During the nine months ended September 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 in 2007, 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 3,500,000 treasury shares to the shareholders of GHIS Capital. 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.

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. The committee determined that market-rate compensation will be $200 annually.

Proposed Transactions

During the three-month period ended 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.

During the three month period ended September 30, 2011, the Company announced its intention to acquire Medical Imaging Centres Inc. and certain business assets of Rads 24/7 Teleradiology Consultants (collectively "Medical Imaging Centres"). Medical Imaging Centres is a provider of diagnostic imaging and interpretation services in Ontario. Services currently and expected to be provided include digital x-ray, ultrasound, mammography, bone densitometry, nuclear medicine, PET/CT and other related imaging services at 15 locations throughout Ontario.

Subsequent to September 30, 2011, the Company announced it had entered into a non-binding letter of intent to acquire Motion Specialties Inc. ("Motion Specialties"). Motion Specialties is one of Canada's largest home health care providers offering a selection of health care equipment through its 24 locations across Canada. Total consideration, to be paid in cash, common shares, performance shares, and performance warrants, is to be finalized during the due diligence and documentation phases of this transaction and will be subject to performance targets over a three-year period.

These transactions are subject to further satisfactory due diligence, definitive documentation, financing and regulatory approvals and customary closing conditions. 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 September 30, 2011 or September 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 generally based on an accrual of warrants to the extent of such excess. The exercise price of the warrants is based on the Company's share price at the date of closing. As a result of this variability, the fair value of the contingent consideration is recorded as a financial liability irrespective of the fact that this liability will be settled on a non-cash basis through the issuance of shares and warrants.

Subsequent changes in fair value between reporting periods are included in the determination of net income. Changes in fair value arise as a result of changes in the Company's share price and changes in the estimated probability of achieving the earnings targets. Shares issued or released from escrow in final settlement of contingent consideration are recognized at their fair value at the time of issue with a corresponding reduction in the contingent consideration liability.

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 nine months ended September 30, 2011.

Stock-based compensation increased by $73 and $219 for the three and nine month periods ending September 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 September 30, 2010, the contingent consideration with respect to CAR is recorded as a liability. The increase in fair value of the contingent consideration relating to the CAR acquisition was $46 for the three-month period ended September 30, 2011. 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 nine month periods ended September 30, 2010, these costs totaled $184 and $333, respectively, for the year ended December 31, 2010, transaction costs totaled $1,141 and in the three months ended September 30, 2011, transaction costs totaled $873. For the nine months ended September 30, 2011, transaction costs totaled $4,554. 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.

(in thousands of dollars, except share amounts)

The impact on net income for the three and nine months ended September 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 September 30, 2010 $	Nine months ended September 30, 2010 $	Year ended December 31, 2010 $
Stock-based compensation	73	219	268
Transaction costs	184	333	1,141
Change in fair value of contingent consideration	46	46	436
Decrease to net income	303	598	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 physiotherapy and assessments segment also compete for the provision of consulting services from independent healthcare professionals. Competitors with greater capital and/or experience may enter the market or compete for referrals from insurance companies and the services of available health care professionals. There can be no assurance that Centric will be able to compete effectively for these referrals and healthcare professionals, that additional competitors will not enter the market, that such competition will not make it more difficult or expensive to provide disability management services or that competitive pressures in the provision of these services in a geographic region will not otherwise adversely affect Centric.

Government Regulation and Funding

The Company operates businesses in an environment in which insurance regulation, policy and 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 Physiotherapy and Assessments segment operates within the regulatory jurisdiction of these legislative changes. Auto insurance guidelines for accident benefit claims have changed and fees for independent medical assessments and rehabilitative treatments are now capped. This change may negatively affect the future financial results of this segment. To mitigate any negative impact, the assessment segment has expended resources to diversify offerings and expand its customer base to best capture the optimal sales mix in the marketplace. In the three months ended September 30, 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, the Company’s businesses operate in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses’ control. Any change in governmental regulation 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 20% of its revenues for the three month period ended September 30, 2011 (2010 – 49%) 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 Physiotherapy and Assessments segment is currently dependent upon insurance company referrals of patients for assessment and rehabilitation procedures and treatments. These referrals come through preferred provider and other service agreements established through competitive tendering processes. If a sufficiently large number of service agreements were discontinued, the business, financial condition and results of operations of Centric could be adversely affected.

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

Shortage of Healthcare Professionals

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

Exposure to Epidemic or Pandemic Outbreak

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

Confidentiality of Personal and Health Information

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

Information Technology Systems

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

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

Key Personnel

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

Litigation and Insurance

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

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

Internal Control over Financial Reporting and Disclosure Controls and Procedures

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

Capital Investment

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

Dilution

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

Uncertainty of Liquidity and Capital Requirements

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

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

Unpredictability and Volatility of Share Price

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

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

Significant Shareholders

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

Litigation

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 settled this action in the three-month period ended September 30, 2011 and subsequently paid the settlement amount in full.

Subsequent Events

Subsequent to September 30, 2011, the Company announced it had entered into a non-binding letter of intent to acquire Motion Specialties Inc. ("Motion Specialties"). Motion Specialties is one of Canada's largest home health care providers offering a selection of health care equipment through its 24 locations across Canada. Total consideration, to be paid in cash, common shares, performance shares, and performance warrants, is to be finalized during the due diligence and documentation phases of this transaction and will be subject to performance targets over a three-year period.

On October 24, 2011, the Company filed a base shelf prospectus to serve as a flexible, efficient mechanism and process which can be utilized if and when required, and subject to appropriate market conditions, to raise funds over a 24 month period through common shares, debt or warrants.

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 Nine Months Ended September 30, 2011 and 2010

(in thousands of Canadian dollars)

Dated November 10, 2011

Centric Health Corporation
Interim Consolidated Statements of Financial Position

(unaudited)
(in thousands of Canadian dollars)

	September 30, 2011 $	December 31, 2010 (note 4) $	January 1, 2010 (note 4) $
Assets			
Current assets			
Cash and cash equivalents	**423**	9,210	1,196
Trade and other receivables	**30,918**	10,588	7,500
Accrued receivables	**5,340**	1,420	932
Loan receivable (note 6)	**2,029**	–	–
Prepaid expenses	**2,555**	178	161
Inventories	**2,759**	230	–
Deposit (note 7)	**-**	1,266	–
	44,024	22,892	9,789
Non-current assets			
Property and equipment (note 9A)	**18,131**	1,449	952
Loans receivable (note 6)	**2,801**	1,714	–
Goodwill and intangible assets (note 9B)	**397,376**	29,457	20,469
Deferred income tax asset	**1,380**	–	–
Investment in franchisees	**2,039**	–	–
Total assets	**465,751**	55,512	31,210
Liabilities			
Current liabilities			
Trade and other payables	**28,501**	8,175	5,700
Current portion of borrowings (note 10)	**11,875**	4,434	2,200
Current portion of finance lease liability (note 12)	**1,873**	–	–
Income taxes payable	**681**	1,032	90
Contingent consideration (note 8)	**102,631**	2,067	–
Deferred revenue	**406**	–	–
	145,967	15,708	7,990
Non-current liabilities			
Borrowings (note 10)	**148,010**	18,435	7,068
LifeMark preferred partnership units (note 11)	**65,500**	–	–
Finance lease liability (note 12)	**365**	–	–
Deferred income tax liability	**1,498**	747	284
Deferred lease inducement	**362**	69	92
Derivative financial instruments (note 10)	**1,986**	–	121
Total liabilities	**363,688**	34,959	15,555
Shareholders' Equity			
Share capital (note 15)	**38,585**	9,240	8,921
Warrants	**3,543**	3,246	2,957
Contributed surplus	**3,365**	1,839	1,191
Equity portion of convertible borrowings	**1,444**	1,444	–
Accumulated other comprehensive loss	**-**	(61)	(121)
Retained earnings	**55,126**	4,845	2,707
Total shareholders' equity	**102,063**	20,553	15,655
Total liabilities and shareholders' equity	**465,751**	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 September 30,		Nine months ended September 30,	
	2011	2010 (note 4)	**2011**	2010 (note 4)
	$	$	**$**	$
Revenue	**67,096**	15,755	**123,727**	45,422
Cost of healthcare services and supplies	**33,136**	9,689	**65,887**	27,795
Employee costs (note 14)	**13,203**	1,942	**22,065**	5,464
Other operating expenses	**9,069**	996	**15,138**	2,715
Corporate office expenses	**1,990**	930	**5,523**	2,959
Depreciation and amortization	**1,270**	139	**2,305**	363
Profit from operations	**8,428**	2,059	**12,809**	6,126
Stock-based compensation	**817**	183	**1,794**	571
Interest expense	**5,018**	205	**7,489**	664
Mark-to-market change on interest rate swaps	**1,580**	-	**1,485**	-
Transaction costs (note 7)	**873**	184	**4,554**	333
(Decrease) increase in fair value of contingent consideration liability (note 8)	**(53,110)**	46	**(62,640)**	46
Income before income taxes	**53,250**	1,441	**60,127**	4,512
Current income tax expense (note 13)	**511**	348	**1,115**	1,350
Deferred income tax expense (note 13)	**114**	142	**506**	308
Net income and comprehensive income attributable to common shareholders for the period	**52,625**	951	**58,506**	2,854
Basic earnings per common share (note 15)	**$ 0.633**	$ 0.016	**$ 0.757**	$ 0.047
Diluted earnings per common share (note 15)	**$ 0.501**	$ 0.013	**$ 0.600**	$ 0.040
Weighted average number of common shares outstanding (in thousands) (note 15)				
Basic	**83,156**	61,152	**77,285**	61,117
Diluted	**105,053**	71,034	**97,531**	70,968

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	150,000	62	–	(27)	–	–	–	35
Deferred compensation expensed in the period	–	–	–	571	–	–	–	571
Amortization of deferred loss on interest rate swap	–	–	–	–	44	–	–	44
Net income for the period	–	–	–	–	–	–	2,852	2,852
Balance at September 30, 2010	**61,165,095**	**8,983**	**2,957**	**1,735**	**(77)**	**–**	**5,559**	**19,157**
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	662,500	423	–	(178)	–	–	–	245
Warrants exercised	40,000	75	(24)	–	–	–	–	51
Shares issued on acquisition	200,000	440	–	–	–	–	–	440
Private placement	17,940,000	20,092	321	–	–	–	–	20,413
Issuance of shares on acquisition of GHIS Capital (note 14 and 15)	3,500,000	8,225	–	–	–	–	–	8,225
AHP warrants cancellation	–	–	–	–	–	–	(8,225)	(8,225)
Amortization of deferred loss on interest rate swap	–	–	–	–	61	–	–	61
Deferred compensation expensed in the period	–	90	–	1,704	–	–	–	1,794
Net income for the period	–	–	–	–	–	–	58,506	58,506
Balance at September 30, 2011	**84,432,595[1]**	**38,585**	**3,543**	**3,365**	**–**	**1,444**	**55,126**	**102,063**

*AOCI – Accumulated other comprehensive income (loss)
[1] Excludes 65,531,802 shares in escrow and 1,100,000 restricted shares (note 15).

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, except number of shares)

	Nine months ended September 30, $	
	2011	2010
Cash provided by (used in):		
Operating activities		
Net income attributable to common shareholders for the period	**58,506**	2,854
Adjustments for:		
Interest expense	**7,428**	664
Mark-to-market on interest rate swaps	**1,485**	-
Amortization of deferred loss on interest rate swap	**61**	84
Depreciation of property and equipment	**1,975**	193
Amortization of finite-life intangible assets	**330**	170
Leasehold inducement	**(21)**	(17)
Income taxes paid	**(1,682)**	(1,350)
Income tax expense	**1,621**	1,658
Stock-based compensation expense	**1,794**	571
(Decrease) increase in contingent consideration liability	**(62,640)**	46
Net change in non-cash working capital items (note 17)	**(1,880)**	(1,036)
Cash provided by operating activities	**6,977**	3,837
Investing activities		
Loan advances	**(360)**	(974)
Decrease (increase) in deposit	**1,266**	(350)
Purchase of intangible assets	**(243)**	(412)
Purchase of property and equipment	**(2,247)**	(407)
Acquisition of business (note 7)	**(109,586)**	(500)
Increase in loan receivable from franchisees	**(364)**	-
Cash used in investing activities	**(111,534)**	(2,643)
Financing activities		
Interest paid	**(6,503)**	(450)
Repayment of borrowings	**(84,878)**	(1,650)
Proceeds of long-term loan net of loan arrangement costs	**167,800**	-
Repayment of finance lease	**(986)**	-
Issuance of common shares and warrants, net of issuance costs	**20,337**	35
Cash provided by (used in) financing activities	**95,770**	(2,065)
Decrease in cash and cash equivalents	**(8,787)**	(871)
Cash and cash equivalents, beginning of period	**9,210**	1,196
Cash and cash equivalents, end of period	**423**	325

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 November 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 and contingent consideration to fair value.

Consolidation

These interim consolidated financial statements incorporate the assets and liabilities of Centric Health Corporation and its wholly-owned subsidiaries and the results of these subsidiaries for the three and nine 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 nine months ended September 30, 2011, the Company completed five 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 initially recognized at fair value and, subsequently, are measured at amortized cost using the effective interest method, less a provision for impairment.

Inventories

Inventories consist of materials used in the provision of healthcare services, home medical equipment and pharmaceutical 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 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 employee 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. Provisions are established, where appropriate, on the basis of amounts expected to be paid to the taxation authorities.

Deferred income taxes
Deferred income taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 performed for insurance providers or other private clients 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 Ontario 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. Amounts are deemed receivable based on the terms of the funding agreement with 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 healthcare services and supplies

Cost of healthcare services and supplies includes supplies and pharmaceutical products sold through the Company’s retail pharmacies. Services include the cost of 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. 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 or are forfeited, 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 Company's potentially dilutive instruments comprise share options granted to employees, unvested restricted share units, 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* (IFRS 12) includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

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

IAS 28 *Investments in Associates and Joint Ventures* (IAS 28) – As a consequence of the issue of IFRS 10, IFRS 11, IFRS 12 and IFRS 13, 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.

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

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

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.

3. Significant Accounting Policies - continued

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 requirements of IAS 36 *Impairment of Assets*. The recoverable amounts of CGU's have been determined based on value-in-use calculations. These calculations require the use of estimates (note 9B).

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 the business acquisition closing. The fair value of the warrant contingent consideration is based on the valuation of the warrants on the date of the acquisition closing, determined using the Black-Scholes option pricing model and on assessment of the probability of achieving the earnings targets.

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

A. Transition exceptions and exemptions

The Company has applied the following transition exceptions and in accordance with IFRS 1 requirements:

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 $25 and $40, for the three and nine months ended September 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.

(in thousands of Canadian dollars)

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 September 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	325	-	325	1,196	-	1,196
Trade and other receivables		10,588	-	10,588	10,609	-	10,609	7,500	-	7,500
Accrued receivables		1,420	-	1,420	1,477	-	1,477	932	-	932
Prepaid expenses	C	208	(30)	178	172	-	172	161	-	161
Inventories		230	-	230	-	-	-	-	-	-
Deposit		1,266	-	1,266	350	-	350	-	-	-
		22,922	(30)	22,892	12,933	-	12,933	9,789	-	9,789
Non-current assets										
Property and equipment		1,449	-	1,449	1,183	-	1,183	952	-	952
Loan receivable		1,714	-	1,714	974	-	974	-	-	-
Goodwill	B,E	19,029	1,425	20,454	14,182	1,629	15,811	14,213	-	14,213
Intangible assets	A,B	9,571	(568)	9,003	7,254	(513)	6,741	6,627	(371)	6,256
Deferred acquisition costs	B	859	(859)	-	255	(255)	-	64	(64)	–
Total assets		55,544	(32)	55,512	36,781	861	37,642	31,645	(435)	31,210
Liabilities										
Current liabilities										
Trade and other payables	C	8,251	(76)	8,175	7,397	(156)	7,241	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	909	-	909	90	-	90
Other liabilities	E	-	2,067	2,067	-	1,676	1,676	-	-	–
Deferred income tax liability	D	-	-	-	-	-	-	19	(19)	–
		13,717	1,991	15,708	10,506	1,520	12,026	8,276	(286)	7,990
Non-current liabilities										
Borrowings		18,435	-	18,435	5,631	-	5,631	7,068	-	7,068
Deferred income tax liability	D	747	-	747	592	-	592	265	19	284
Deferred lease inducement		69	-	69	75	-	75	92	-	92
Derivative financial instrument		-	-	-	161	-	161	121	-	121
Total liabilities		32,968	1,991	34,959	16,965	1,520	18,485	15,822	(267)	15,555
Shareholders' Equity										
Share capital		9,240	-	9,240	8,983	-	8,983	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	1,491	244	1,735	1,166	25	1,191
Equity portion of convertible borrowings		1,444	-	1,444	-	-	-	-	-	-
Accumulated other comprehensive loss	G	(128)	67	(61)	(161)	84	(77)	(121)	-	(121)
Retained earnings	H	7,228	(2,383)	4,845	6,546	(987)	5,559	2,900	(193)	2,707
Total shareholders' equity		22,576	(2,023)	20,553	19,816	(659)	19,157	15,823	(168)	15,655
Total liabilities and shareholders' equity		55,544	(32)	55,512	36,781	861	37,642	31,645	(435)	31,210

(in thousands of Canadian dollars)

4. Transition to IFRS – continued

ii. Interim consolidated statement of comprehensive income

	Ref.	Three months ended September 30, 2010 Canadian GAAP $	Adjustments $	IFRS $	Nine months ended September 30, 2010 Canadian GAAP $	Adjustments $	IFRS $
Revenue		15,755	-	15,755	45,422	-	45,422
Cost of services and supplies		9,689	-	9,689	27,795	-	27,795
Gross profit		**6,066**	**-**	**6,066**	**17,627**	**-**	**17,627**
Employee costs	C	1,910	32	1,942	5,354	110	5,464
Direct costs	B	996	-	996	2,715	-	2,715
Operating margin		**3,160**	**(32)**	**3,128**	**9,558**	**(110)**	**9,448**
Corporate office administration		930	-	930	2,959	-	2,959
Stock-based compensation	F	110	73	183	352	219	571
Depreciation and amortization	B	139	-	139	363	-	363
Interest expense	G	165	40	205	580	84	664
Transaction costs	B	-	184	184	-	333	333
Change in fair value of contingent consideration	E	-	46	46	-	46	46
Income before income taxes		**1,816**	**(375)**	**1,441**	**5,304**	**(792)**	**4,512**
Income tax expense		490	-	490	1,658	-	1,658
Net income attributable to shareholders for the period		**1,326**	**(375)**	**951**	**3,646**	**(792)**	**2,854**
Other comprehensive income							
Unrealized (loss) gain on derivative financial instrument	G	(25)	25	-	(40)	40	-
Comprehensive income attributable to common shareholders for the period		**1,301**	**(350)**	**951**	**3,606**	**(752)**	**2,854**

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 3, *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 nine months ended September 30, 2010 and the year ended December 31, 2010, deferred acquisition costs of $255 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 $19 at January 1, 2010 ($nil at September 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 $1,629 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 $46 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 $73 for the three months ended September 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 $25 and $40 for the three and nine months ended September 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.

(in thousands of Canadian dollars)

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 $	September 30, 2010 $	January 1, 2010 $
Retained earnings - as reported under Canadian GAAP		7,228	6,546	2,900
IFRS adjustments:				
Impairment of intangible assets	A	(371)	(371)	(371)
Business combinations – transaction costs	B	(346)	(143)	-
Business combinations – deferred charges	B	(859)	(255)	(64)
Amortization of intangibles	B	(55)	-	-
Provisions	C	267	267	267
Recognition of severance costs	C	(223)	(110)	-
Recognition of contingent consideration change in fair value	E	(436)	(46)	-
Share-based payment expense	F	(293)	(244)	(25)
Hedge accounting	G	(7)	(40)	-
Amortization of the loss	G	(60)	(45)	-
Retained earnings - as reported under IFRS		**4,845**	**5,559**	**2,707**

D. Adjustments to interim consolidated statement of cash flows

		Nine months ended September 30, 2010		
		Canadian GAAP $	**Adjustments $**	**IFRS $**
Cash provided by operating activities	F, C,G	3,709	128	3,837
Cash (used in) provided by investing activities	B	(2,965)	322	(2,643)
Cash used in financing activities	G	(1,615)	(450)	(2,065)
Net decrease in cash		(871)	-	(871)
Cash, beginning of the year		1,196	-	1,196
Cash, end of the year		325	-	325

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, or the issuance of debt instruments.

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. Given the number of acquisitions completed and availability of existing credit, the Company is actively seeking additional funding through debt or equity securities. In anticipation of changes in capital requirements, on October 24, 2011, a base shelf prospectus was filed by the Company. The base shelf prospectus anticipates raising additional capital through the issuance of up to $265,500 in debt securities, common shares and share purchase warrants.

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 September 30, 2011.

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 nine-month period ended September 30, 2011 has increased the interest rate risk of the Company. In order to mitigate interest rate risk, the Company entered into an interest rate swap on $100,000 of its outstanding debt exchanging its variable rate debt for a fixed rate of 5.12%. The interest rate swap term is four years, coterminous with the existing term loan. In addition, the Company acquired a swap with its acquisition of LifeMark on approximately $18,000 of debt exchanging its variable rate for a fixed rate of 3.0% which matures on March 31, 2015.

(in thousands of Canadian dollars)

5. Capital Management - continued

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

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

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

- *Level 3: Inputs for assets or liabilities that are not based on observable market data.*
  The Company does not have any financial instruments in this level.

	Level 1	**Level 2**	**Level 3**	**Total**
Cash	423	–	–	423
Derivative financial instruments	–	1,986	–	1,986
Balance at September 30, 2011	**423**	**1,986**	**–**	**2,409**

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. The loan is now due January 31, 2012. 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 September 30, 2011, the Company has made cash advances to Intervent in the amount of $2,000 and has been included in the loan receivable, as well as the unamortized balance of fees related to the loan of $29. Interest accrued to September 30, 2011 is $130.

Franchisees

Notes and loans receivable from franchisees of $2,801 are related to the MediChair home medical equipment segment. MediChair has various loan agreements with its franchisees. These loans have negotiated repayment terms and interest rates and the majority are secured by personal guarantees over the franchisees’ assets.

(in thousands of Canadian dollars)

7. Business Combinations

On August 17, 2011, the Company completed the acquisition of substantially all of the assets and businesses of the Blue Water surgical and medical centres and 75% of the outstanding shares of London Scoping Centre, which were collectively owned by the same vendor.

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. The Company finds this acquisition is well-suited to its strategy of expanding its surgical and medical offerings in Canada.

The purchase price of $16,112 includes $7,500 in cash paid upon closing, $175 holdback amount, and the estimated value of contingent consideration of $8,437 representing the issuance of up to 9,230,769 common shares of Centric Health, comprised of 6,153,846 common shares and warrants to purchase up to 3,076,923 common shares at a price 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.

It is expected that this asset purchase will allocate a significant proportion of the value to goodwill being the relationship with the surgeons and physicians employed at the facilities, the assembled workforce of nurses and administrative staff managing the surgical and medical cases. The entire amount of recorded goodwill is expected to be added to the Company's cumulative eligible capital pool for tax purposes.

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

Purchase Price		
Cash consideration paid	$	7,500
Holdback amount		175
Contingent consideration		8,437
	$	16,112
Fair Value of Net Assets Acquired		
Property and equipment	$	531
Goodwill and intangible assets		15,906
		16,437
Liabilities assumed		(325)
	$	16,112

Revenue and net income from operations of Blue Water from the date of acquisition, August 17, 2011 to September 30, 2011 were $830 and $357, respectively.

The fair value of the contingent consideration of $8,437 estimated to be earned at the time of closing the acquisition has been calculated using the quoted market price of the Company's common shares, as well as a number of variables including the length of time the performance is to be measured, the increase from current earnings levels over the performance period, the nature of the business and its inherent reliance on physicians and patients.

Note that the purchase price allocation is preliminary in nature and any finite-life intangible assets that may have been acquired by the Company are yet to be identified.

(in thousands of Canadian dollars)

7. Business Combinations - continued

On August 17, 2011, the Company completed the acquisition of 75% of the issued and outstanding securities of the London Scoping Centre ("LSC") for cash and additional share-based contingent consideration. 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 purchase price of $1,430 includes $500 in cash paid upon closing, and the estimated value of contingent consideration of $930 representing the issuance of up to 1,050,000 common shares of Centric Health, comprised of 675,000 common shares and warrants to purchase up to 375,000 common shares at a price to be determined using the five-day volume weighted average trading price immediately preceding the closing subject to LSC 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.

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

Purchase Price		
Cash consideration paid	$	500
Contingent consideration		930
	$	1,430
Fair Value of Net Assets Acquired		
Goodwill and intangible assets	$	1,430
Other non-current assets		-
	$	1,430

Revenue and net income from operations of LSC from the date of acquisition, August 17, 2011 to September 30, 2011 were $209 and $36, respectively.

The fair value of the contingent consideration liability of $930 estimated to be earned at the time of closing the acquisition has been calculated using the quoted market price of the Company's common shares, as well as a number of variables including the length of time the performance is to be measured, the increase from current earnings levels over the performance period, the nature of the business and its inherent reliance on physicians and patients.

Note that the purchase price allocation is preliminary in nature and any finite-life intangible assets that may have been acquired by the Company are yet to be identified.

(in thousands of Canadian dollars)

7. Business Combinations - continued

On August 15, 2011, the Company completed the acquisition of substantially all of the assets and businesses of Dedicated National Pharmacies Inc., Methadrug Clinic Limited, and Union Medical Pharmacy Inc. (collectively "DNP"). The addition of DNP is a strategic acquisition that will develop a network of specialty and niche pharmacies.

In 2010 a deposit of $1,266 was made in respect of this acquisition which was refunded prior to the closing date.

The purchase price of $9,871 includes $9,431 in cash paid upon closing, and 200,000 common shares issued at a value of $440.

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

Purchase Price		
Cash consideration paid	$	9,431
Common shares issued		440
	$	9,871
Fair Value of Net Assets Acquired		
Current assets	$	1,000
Property and equipment		1,742
Goodwill and intangible assets		7,129
	$	9,871

Revenue and net income from operations of DNP from the date of acquisition, August 15, 2011 to September 30, 2011 were $2,929 and $1,057, respectively.

Note that the purchase price allocation is preliminary in nature and any finite-life intangible assets that may have been acquired by the Company are yet to be identified.

(in thousands of Canadian dollars)

7. Business Combinations - continued

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 104 physiotherapy clinics, 11 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 11 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		319,366
Other non-current assets		4,476
		362,876
Liabilities assumed		(143,738)
	$	219,138

Revenue and net income from operations of LifeMark from the date of acquisition, June 9, 2011 to September 30, 2011 were $52,208 and $7,721, 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 September 30, 2012 and by using the closing quoted market price of the Company's common shares on the date of acquisition.

Note that the purchase price allocation is preliminary in nature and any finite-life intangible assets that may have been acquired by the Company are yet to be identified.

On September 1, 2011, LifeMark acquired MediChair North York for $493.

(in thousands of Canadian dollars)

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 nine months ended September 30, 2011 was $5,034 and $14,627, respectively. Net income from operations for the three and nine months ended September 30, 2011 was $635 and $1,487, 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. As at September 30, 2011, SSI's earnings were on target to achieve approximately 90% of their performance target. The fair value of the contingent consideration liability has been adjusted to reflect this change in estimate.

Note that the purchase price allocation is preliminary in nature and any finite-life intangible assets that may have been acquired by the Company are yet to be identified.

(in thousands of Canadian dollars)

7. Business Combinations - continued

Contingent consideration

The following illustrates the possible range of contingent payments due to vendors from the current year business acquisitions

							At September 30, 2011
Acquired entity	**Acquisition date**	**Performance term**	**Issuable common shares**	**Issuable warrants**	**Amount recognized at acquisition date**	**Range of value of contingent consideration**	**Contingent consideration liability**
CAR	Sept. 1, 2010	3 years	2,142,857	1,000,000	$ 1,630	$0 - $4,355	$ 3,563
SSI	Jan. 19, 2011	1 year	11,827,956	8,000,000	14,112	$0 - $22,388	14,977
LifeMark	June 9, 2011	1 year	46,875,000	-	135,938	$0 - $73,594	73,594
Blue Water	Aug. 17, 2011	3 years	6,153,846	3,076,923	8,437	$0 - $12,123	6,043
LSC	Aug 17, 2011	3 years	675,000	375,000	930	$0 - $1,360	666
Total			**67,674,659**	**12,451,923**	**$161,047**	**$0 - $113,820**	**$ 98,843**

Contingent consideration is valued using the share price of the Company's common shares on the date of acquisition and revalued at each subsequent reporting date. As such, the maximum possible contingent consideration is an estimate. For the purposes of the disclosure above, the maximum possible contingent consideration has been valued at $113,820 based on the share price of the Company on September 30, 2011 ($1.57 per share).

(in thousands of Canadian dollars)

7. Business Combinations - continued

Transaction costs

Transaction costs incurred, including legal, consulting and due diligence fees, directly related to business combinations, are expensed as incurred. During the nine months ended September 30, 2011, transaction costs were incurred as follows:

	Three months ended September 30, 2011	Nine months ended September 30, 2011
	$	$
Blue Water and LSC	**115**	**161**
DNP	**269**	**584**
LifeMark	**-**	**2,787**
SSI	**-**	**403**
Other	**489**	**619**
Total transaction costs	**873**	**4,554**

Annualized performance of acquisitions

The following table illustrates the impact as if all business combinations had taken place on January 1, 2011:

Nine months ended September 30, 2011	**Revenue**	**Profit from operations**
As reported	**$ 123,727**	**$ 12,809**
SSI	**-**	**-**
LifeMark	**74,002**	**8,237**
BWC	**6,678**	**2,750**
LSC	**266**	**(83)**
MediChair North York	**1,333**	**188**
Total	**$ 206,006**	**$ 23,901**

The data above was gathered from due diligence and closing statements as received in the process of completing the transactions. There is no additional revenue added for the SSI acquisition as its effective date was January 1, 2011. The data with respect to the acquisition of DNP is not available as the company was operated by a receiver in the period from January 1, 2011 through the date of acquisition. There were no operational reports prepared during this period that are accessible by the Company.

7. Business Combinations - continued

Proposed transactions

On July 22, 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 3,000,000 common shares in the Company subject to the business achieving certain performance targets over two years.

On September 20, 2011, the Company announced that it has entered into an agreement to acquire Medical Imaging Centres Inc. and certain business assets of Rads 24/7 Teleradiology Consultants (collectively "Medical Imaging Centres"). Medical Imaging Centres is a provider of diagnostic imaging and interpretation services in Ontario. Services currently and expected to be provided include digital x-ray, ultrasound, mammography, bone densitometry, nuclear medicine, PET/CT and other related imaging services at 15 locations throughout Ontario.

Subsequent to September 30, 2011, the Company announced it had entered into a non-binding letter of intent to acquire Motion Specialties Inc. ("Motion Specialties"). Motion Specialties is one of Canada's largest home health care providers offering a selection of health care equipment through its 24 locations across Canada. Total consideration, to be paid in cash, common shares, performance shares, and performance warrants, is to be finalized during the due diligence and documentation phases of this transaction and will be subject to performance targets over a three-year period.

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.

(in thousands of Canadian dollars)

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 $	Blue Water $	LSC $	Total $
Balance at January 1, 2010	–	–	–	–	–	–
Fair value at date of acquisition	1,630	–	–	–	–	1,630
Increase in fair value during period	437	–	–	–	–	437
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
Fair value at date of acquisition	–	–	–	8,437	930	9,367
Decrease in fair value during period	(1,755)	(13,541)	(35,156)	(2,394)	(264)	(53,110)
Balance at September 30, 2011	**3,563**	**14,977**	**73,594**	**6,043**	**666**	**98,843**

The above table excludes LifeMark acquired contingent consideration payable in cash in the amount of $3,788 at September 30, 2011.

The contingent consideration payable by the Company has decreased over the nine-month period ended September 30, 2011 by $62,640. 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 the dates of acquisition, to $1.57 per share on September 30, 2011. In addition, changes in the estimate of the acquired business achieving earnings targets also impacts the contingent consideration liability. During the three months ended September 30, 2011, initial estimates were reduced by $4,000 to reflect changes in estimates on achieving targets.

(in thousands of Canadian dollars)

9. Additional IFRS Information

The following IFRS disclosures relating to the year ended December 31, 2010 and nine months ended September 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**
Nine months ended September 30, 2011					
Opening net carrying value	233	357	370	489	1,449
Additions	160	184	444	1,459	2,247
Acquisitions	3,446	697	5,792	6,475	16,410
Depreciation for the period	(95)	(133)	(746)	(1,001)	(1,975)
Closing net carrying value	**3,744**	**1,105**	**5,860**	**7,422**	**18,131**
As at September 30, 2011					
Cost	5,613	2,159	7,125	8,463	23,360
Accumulated depreciation	(1,869)	(1,054)	(1,265)	(1,041)	(5,229)
Net carrying value	**3,744**	**1,105**	**5,860**	**7,422**	**18,131**

(in thousands of Canadian dollars)

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**
Nine months ended September 30, 2011							
Opening net carrying value	20,454	1,026	4,105	291	1,436	2,145	29,457
Additions	–	–	–	–	243	–	243
Acquisitions	359,567	–	–	–	1,000	7,439	368,006
Amortization charge	–	–	–	–	(165)	(165)	(330)
Closing net carrying value	**380,021**	**1,026**	**4,105**	**291**	**2,514**	**9,419**	**397,376**
As at September 30, 2011							
Cost	380,021	1,397	4,105	291	3,034	9,639	398,487
Accumulated amortization and impairment	–	(371)	–	–	(520)	(220)	(1,111)
Net carrying value	**380,021**	**1,026**	**4,105**	**291**	**2,514**	**9,419**	**397,376**

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.

(in thousands of Canadian dollars)

10. Borrowings

Borrowings consist of the following:

	September 30, 2011 **$**	December 31, 2010 $
Term Loan	**157,500**	14,987
Term Loan arrangement costs	**(5,638)**	(456)
Revolving Facility	**3,882**	-
Related party loan (note 14)	**-**	4,434
Related party convertible loan (note 14)	**5,000**	5,000
Unaccreted discount (note 14)	**(859)**	(1,096)
	159,885	22,869
Less: Current portion	**11,875**	4,434
Total non-current borrowings	**148,010**	18,435

On June 9, 2011, the Company entered into a credit agreement for a four-year committed term facility (Term Loan) and a four-year committed operating facility (Revolving Facility). The Term 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 September 30, 2011, the Company has borrowed $157,500 of the Term Loan. Repayment terms are as follows:

	Total	1 year	2-3 years	4-5 years
Term Loan	$ 157,500	$ 11,875	$ 28,625	$ 117,000

The Term Loan is subject to covenant tests to be performed at each reporting date. The Company is in compliance with all covenant tests as at September 30, 2011. Unamortized loan arrangement costs totalled $5,638 at September 30, 2011, and are netted against this amount.

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. Subsequent to September 30, 2011, management has requested additional funding of $40,000, to be made available under its Revolving Facility, from its lenders; and, has also requested adjustments to its covenant restrictions for the next four quarters. As at September 30, 2011 the Company has borrowed $3,882 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 on the related party convertible loan was recorded in interest expense during the nine-month period ended September 30, 2011.

In addition, during the three months ended September 30, 2011, the Company entered into an interest rate swap that it had not designated as an effective hedge. The mark-to-market on the swap was recognized in interest expense for $1,580 in the three-month period ended September 30, 2011.

(in thousands of Canadian dollars)

11. Preferred Partnership Units

The long-term debt of $65,500 represents preferred partnership units issued by LifeMark to 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.

12. 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:

	September 30, 2011 $	December 31, 2010 $
Cost - capitalized finance lease	**3,755**	-
Accumulated depreciation	**(900)**	-
Total finance leased assets	**2,855**	-

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:

	September 30, 2011 $	December 31, 2010 $
No later than 1 year	**1,957**	-
Later than 1 year but no later than 5 years	**376**	-
Future finance charges on finance lease	**(95)**	-
Present value of finance lease liabilities	**2,238**	-

The present value of finance lease liabilities is as follows:

	September 30, 2011 $	December 31, 2010 $
No later than 1 year	**1,873**	-
Later than 1 year but no later than 5 years	**365**	-
Present value of finance lease liabilities	**2,238**	-

(in thousands of Canadian dollars)

13. 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 nine months ended September 30, 2011 and 2010 was 28.25% and 31%, respectively.

During the three and nine months ended September 30, 2011, the effective tax rates are 1.2% and 2.7% respectively, 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 nine month periods ended September 30, 2011.

14. 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, in addition to those entered into with Company directors and management, have been entered into with Global Healthcare Investments and Solutions, Inc. (GHIS) and entities controlled by the shareholders of GHIS who own 35,250,000 shares or approximately 23.3% of the issued and outstanding common shares of the Company as of September 30, 2011. This ownership percentage disclosed takes into account 65,531,802 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.

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

	Three months ended September 30, $		**Nine months ended September 30, $**	
	2011	2010	**2011**	2010
GHIS fees				
Completion fees	**-**	-	**1,704**	-
Advisory fees	**300**	60	**420**	180
Market capitalization fee	**-**	98	**404**	310
Total fees earned by GHIS in the period	**300**	158	**2,528**	490
GHIS expenses	**-**	24	**39**	52
Interest incurred on Jamon loans	**77**	-	**378**	-
Total transactions with related parties	**377**	182	**2,945**	542

During the three and nine months ended September 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.

14. Related Party Transactions and Balances - continued

Related party transactions - continued

During the nine months ended September 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 $nil and $39 for the three and nine months ended September 30, 2011, respectively (three and nine months ended September 2010 - $24 and $52, respectively) are not included in the corporate administration expenses disclosed above.

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 nine months ended September 30, 2011, an additional $2,800 related to the new financing arrangements, which, with the LifeMark advisory completion fee, is only due and payable when it meets the conditions set out in the Credit Agreement between Centric and its lenders. 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 September 30, 2011 and December 31, 2010, are $4,391 and $237, respectively, due to GHIS; and $50 and $92, respectively for interest payable to Jamon.

(in thousands of Canadian dollars)

14. 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:

	September 30, 2011
	$
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 at inception	**10,000**
Repayment of 7% loan	**(5,000)**
Balance, September 30, 2011	**5,000**

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 nine-month period ended September 30, 2011.

(in thousands of Canadian dollars)

14. 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.

On July 31, 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 3,500,000 common shares to the shareholders of GHIS Capital. Upon completion of the acquisition of GHIS Capital 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 transaction has been accounted for at the fair value of the 3,500,000 common shares issued with this acquisition being treated as a capital transaction, representing a distribution of the AHP warrant at the fair value of the new shares issued.

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:

	Nine months ended September 30, 2011 $	Nine months ended September 30, 2010 $
Salaries and benefits	**1,308**	433
Share-based payment expense	**454**	75
Other long-term benefits	**36**	–
Director fees	**86**	117
Total key management compensation	**1,884**	625

(in thousands of Canadian dollars)

15. 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:

Nine months ended September 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**	–	–
Issued on acquisition of DNP	**200,000**	**440**	–	–
Issuance of shares on acquisition of GHIS Capital (note 14)	**3,500,000**	**8,225**		
Restricted share units vested	**–**	**90**	–	–
Warrants exercised	**40,000**	**75**	–	–
Stock options exercised	**662,500**	**423**	150,000	62
Balance, end of period	**84,432,595**	**$ 38,585**	61,165,095	$ 8,983

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 66,631,802 at September 30, 2011.

Shares restricted or held in escrow:

Entity	**Escrowed Shares**
Restricted compensation shares	1,100,000
SSI	11,827,956
LifeMark	46,875,000
BlueWater	6,153,846
London Scoping	675,000
	66,631,802

In addition to the escrowed shares, the vendors of CAR are entitled to receive additional contingent purchase consideration of up to 2,142,857 shares subject to achieving certain earnings targets over three years ending August 31, 2013. Subsequent to September 30, 2011, the vendors of CAR earned and were issued 714,284 common shares in satisfaction of achieving the performance target for the first year.

(in thousands of Canadian dollars)

15. Shareholders' Equity and Earnings per Share - continued

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

Issuance of stock options and deferred stock-based compensation

There were 5,264,500 stock options issued to management and employees in the nine month period ended September 30, 2011. The options have been fair valued, post-forfeiture rate, using the Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	97 – 119%
Risk-free interest rate	1.09 – 2.36%
Expected life in years	3 – 4.5
Share price at date of issue	$1.66 – $1.88
Forfeiture rate	4.95% – 7.90%
Fair value of option	$1.08 – $1.48

The outstanding and exercisable stock options are as follows:

Nine months ended September 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	**5,264,500**	**1.78**	500,000	0.69
Options exercised	**(662,500)**	**0.37**	(150,000)	0.24
Options forfeited	**(500,000)**	**1.22**	(150,000)	1.03
Balance, end of period	**10,202,000**	**$ 1.25**	5,275,000	$ 0.58
Exercisable, end of period	**1,558,334**	**0.57**	1,960,417	0.29

During the three and nine months ended September 30, 2011, 50,000 and 662,500 shares were issued upon exercise of options at weighted average exercise prices of $0.47 and $0.37, respectively.

(in thousands of Canadian dollars)

15. 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 nine months ended September 30, 2011.

	Three months ended September 30,		**Nine months ended September 30,**	
	2011	2010	**2011**	2010
Basic weighted average shares outstanding	**83,156**	61,152	**77,285**	61,117
Dilutive effect of unvested restricted shares	**1,250**	-	**1,250**	**-**
Dilutive effect of share options	**2,792**	1,134	**2,507**	1,121
Dilutive effect of warrants	**17,149**	8,748	**15,783**	8,730
Dilutive effect of convertible debt	**706**	-	**706**	-
Diluted shares outstanding	**105,053**	71,034	**97,531**	70,968

(in thousands of Canadian dollars)

16. Segmented Information

The consolidated operations of the Company comprise three reportable operating segments referred to as: (i) Rehabilitation, Medical Assessments, Seniors' Wellness, and Homecare ("Physiotherapy and Assessments"); (ii) Surgical and Medical Centres; and, (iii) Pharmacy and Home Medical Equipment.

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 nine months ended September 30, 2011				
	Physiotherapy and Assessments $	**Surgical and Medical Centres $**	**Pharmacy and Home Medical Equipment $**	**Corporate $**	**Total $**
Revenue	96,243	18,213	9,271	-	123,727
Depreciation and amortization	1,171	844	207	83	2,305
Interest expense	44	146	-	7,299	7,489
Income before interest expense and income taxes (1)	14,473	1,904	2,103	50,621	69,101
Capital expenditures	1,643	462	178	207	2,490
Goodwill	308,202	41,932	29,887	-	380,021
Total assets (2)	372,676	49,045	48,620	(4,590)	465,751

(1) Included in the income before interest expense and income taxes for the Corporate segment are $62,640 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period and $4,554 in transaction costs related to business combinations.
(2) Total assets of the Corporate segment include loan receivable of $2,029 from Intervent.

	For the three months ended September 30, 2011				
	Physiotherapy and Assessments $	**Surgical and Medical Centres $**	**Pharmacy and Home Medical Equipment $**	**Corporate $**	**Total $**
Revenue	53,085	7,575	6,436	-	67,096
Depreciation and amortization	828	293	79	70	1,270
Interest expense	22	40	-	4,956	5,018
Income before interest expense and income taxes (3)	7,773	984	1,867	49,224	59,848
Capital expenditures	569	228	37	194	1,028

(3) Included in the income before interest expense and income taxes for the Corporate segment are $53,110 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period and $873 in transaction costs related to business combinations.

(in thousands of Canadian dollars)

16. Segmented Information - continued

	As at and for the nine months ended September 30, 2010				
	Physiotherapy and Assessments $	**Surgical and Medical Centres $**	**Pharmacy and Home Medical Equipment $**	**Corporate $**	**Total $**
Revenue	44,385	1,037	-	-	45,422
Depreciation and amortization	344	13	-	6	363
Interest expense	-	-	-	664	664
Income (loss) before interest expense and income taxes	9,036	(47)	-	(3,813)	5,176
Capital expenditures	762	57	-	-	819
Goodwill	15,811	-	-	-	15,811
Total assets	35,796	773	-	1,073	37,642

	For the three months ended September 30, 2010				
	Physiotherapy and Assessments $	**Surgical and Medical Centres $**	**Pharmacy and Home Medical Equipment $**	**Corporate $**	**Total $**
Revenue	15,399	356	-	-	15,755
Depreciation and amortization	134	5	-	-	139
Interest expense	-	-	-	205	205
Income (loss) before interest expense and income taxes	2,836	(23)	-	(1,167)	1,646
Capital expenditures	88	57	-	-	145

17. Supplementary Disclosure to the Consolidated Statements of Cash Flows

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

	Nine months ended September 30,	
	2011 $	2010 $
Receivables	**74**	(3,260)
Inventories	**68**	-
Prepaid expenses	**(1,381)**	8
Trade and other payables	**(517)**	1,365
Deferred revenue	**(72)**	-
Income taxes payable	**(52)**	851
	(1,880)	(1,036)

18. Subsequent Events

Subsequent to September 30, 2011, the Company announced it had entered into a non-binding letter of intent to acquire Motion Specialties Inc. ("Motion Specialties"). Motion Specialties is one of Canada's largest home health care providers offering a selection of health care equipment through its 24 locations across Canada. Total consideration, to be paid in cash, common shares, performance shares, and performance warrants, is to be finalized during the due diligence and documentation phases of this transaction and will be subject to performance targets over a three-year period.

On October 24, 2011, the Company filed a base shelf prospectus with the objective of raising up to $265,500 in additional capital through issuance of debt securities, common shares and share purchase warrants.