Management's Discussion and Analysis

For the three and six month periods ended June 30, 2012 and 2011

Dated: August 14, 2012

Management's Discussion and Analysis

For the three and six months ended June 30, 2012 and 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 2012 objectives, strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include the highly competitive nature of the Company's industry, government regulation and funding and other such risk factors described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Other than specifically required by applicable laws, we are under no obligation and we expressly disclaim any such obligation to update or alter the forward-looking statements whether as a result of new information, future events or otherwise except as may be required by law. These forward looking statements are made as of the date of this analysis.

The following is a discussion of the consolidated financial position and the income and comprehensive income of Centric Health Corporation, ("Centric Health" or "Company") for the three and six month periods ended June 30, 2012 and 2011 and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. The MD&A should be read on conjunction with the condensed unaudited interim consolidated financial statements and notes thereto for the three and six month periods ended June 30, 2012 and 2011. The condensed unaudited interim consolidated financial statements for the three and six months ended June 30, 2012 and 2011 are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The Company's significant accounting policies are summarized in detail in note 4 of the consolidated financial statements for the years ended December 31, 2011 and 2010 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise specified, amounts reported in this MD&A are in thousands, except shares and per share amounts and percentages. The following MD&A is presented as of August 14, 2012. All amounts are disclosed in Canadian dollars. Additional information about the Company, including the most recently filed Annual Information Form, is available on www.sedar.com.

Highlights for the Three and Six Months Ended June 30, 2012

- Revenue increased by 240% to $114.1 million and by 286% to $218.4 for the three and six month periods ended June 30, 2012 as compared to the three and six month periods ended June 30, 2011 as a result of organic growth and the completion of several notable acquisitions since January 1, 2011;

- Adjusted EBITDA[1] increased to $12.5 million for the three months ended June 30, 2012, as compared to $3.2 million for the three months ended June 30, 2011 and the adjusted EBITDA margin improved to 10.9% from 9.6% between the two periods;

- Adjusted EBITDA[1] increased to $24.2 million for the six months ended June 30, 2012, as compared to $5.4 million for the six months ended June 30, 2011 and the adjusted EBITDA margin improved to 11.1% from 9.6% between the two periods;

- In May 2012, the Company renegotiated its lending agreement with its senior lender syndicate. The amended lending agreement revised certain of the Company's financial performance covenants in order to provide the Company with greater financing flexibility;

- On May 8, 2012, the Company completed a private placement of $15.0 million of subordinated, unsecured convertible notes. The proceeds from the private placement were used to pay down the Company's senior bank debt;

- The Company increased its focus on cash management during the three months ended June 30, 2012, which contributed to the Company generating $8.0 million in positive cash flow from operations during the quarter;

- Following the active mergers and acquisitions activity over the past year and a half and key management changes during the quarter, the Company focussed on cost containment with further integration, rationalization, renegotiation of supplier contracts and the closure and merger of certain assessment locations. Several top line initiatives commenced to extract synergies and expand operations throughout the Company. The Company commenced the integration of Motion Specialties Inc. ("Motion Specialties") into its corporate operations centre during the quarter;

Subsequent Events

- Subsequent to June 30, 2012, the Company announced several notable matters including:
  - The appointment of David Cutler as President, Chief Executive Officer and a member of the Board of Directors of the Company effective September 3, 2012; and
  - The finalization of the earn out of LifeMark Health Partnership ("LifeMark") with the release of 6,875,000 of escrowed shares to the LifeMark vendors based on the formula specified in the purchase agreement for this transaction. The remaining 40,000,000 LifeMark escrowed shares will be cancelled and results in a 22.0% reduction in outstanding and escrowed shares with enhanced adjusted EBITDA per share including escrowed shares of 30.8%.[2] for the six month period ended June 30, 2012.

Business Overview

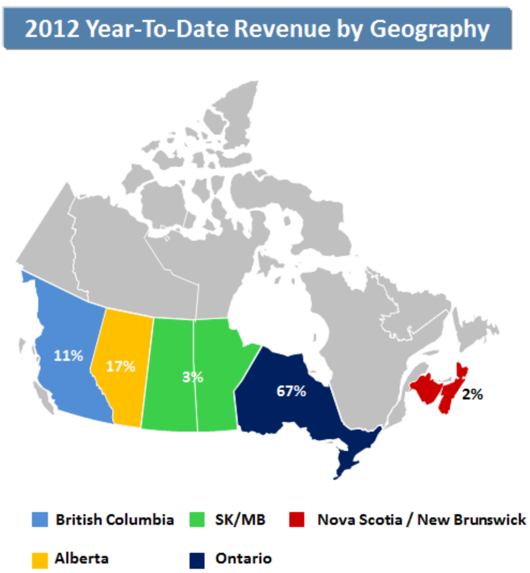
Centric Health Corporation is a Canadian healthcare services company with the largest healthcare services platform and networks across Canada in physiotherapy, assessments, seniors' wellness, surgical and medical centres, specialty pharma, orthotics and home medical equipment. The Company reaches approximately 980 locations across Canada with 19 surgical operating rooms and services over 60,000 long-term care and retirement home beds through its more than 3,400 healthcare professionals, staff and consultants.

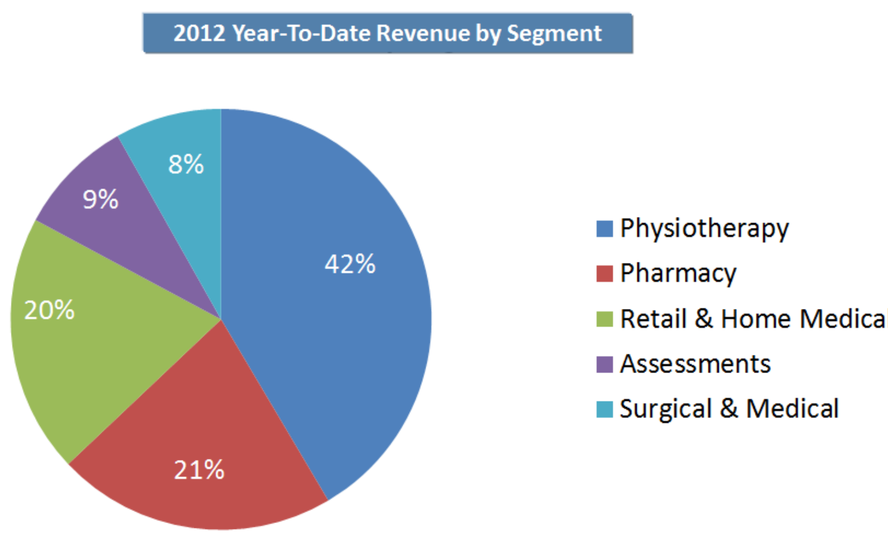
---

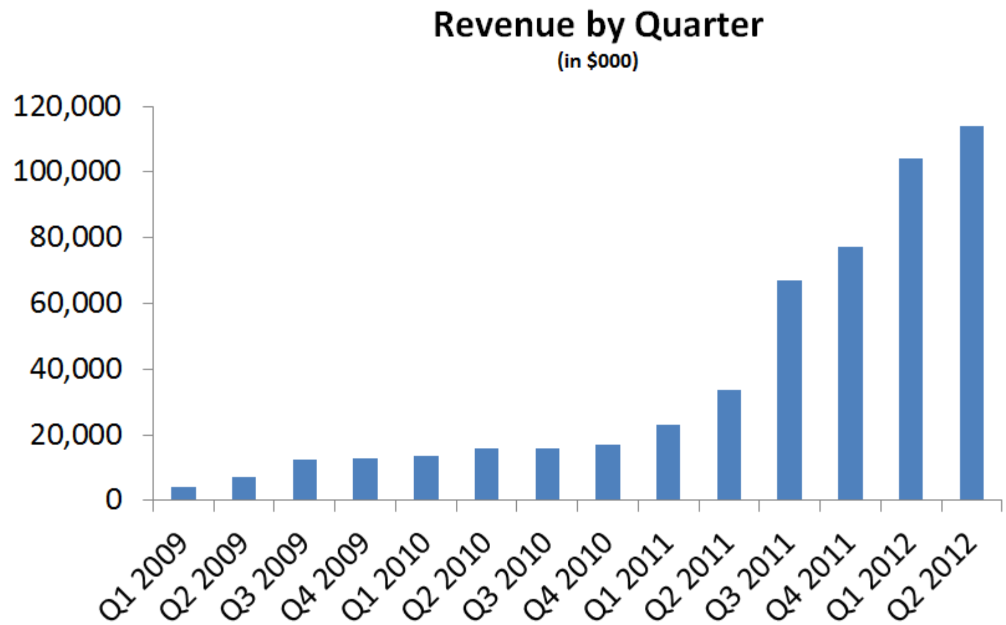
[1] Defined and calculated in Reconciliation of Non-IFRS Measures
[2] Defined and calculated on page 17

Business Strategy

Centric Health is pursuing a strategy of expansion and growth through mergers and accretive acquisitions as well as from organic growth opportunities. Centric Health's acquisitions are targeted towards entrepreneurial companies with a successful track record and intellectual property. 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-selling benefits at all of its sites in creating meaningful stakeholder value with an overarching **focus on quality care to our patients**. This diversified strategy across 7 provinces with multiple business units aims to mitigate the various business risks associated with healthcare companies and provide a meaningful platform for sustainable growth. The Company's revenues earned for the six months ended June 30, 2012 by province and segment are denoted below as well as the Company's quarter by quarter revenue since 2009.



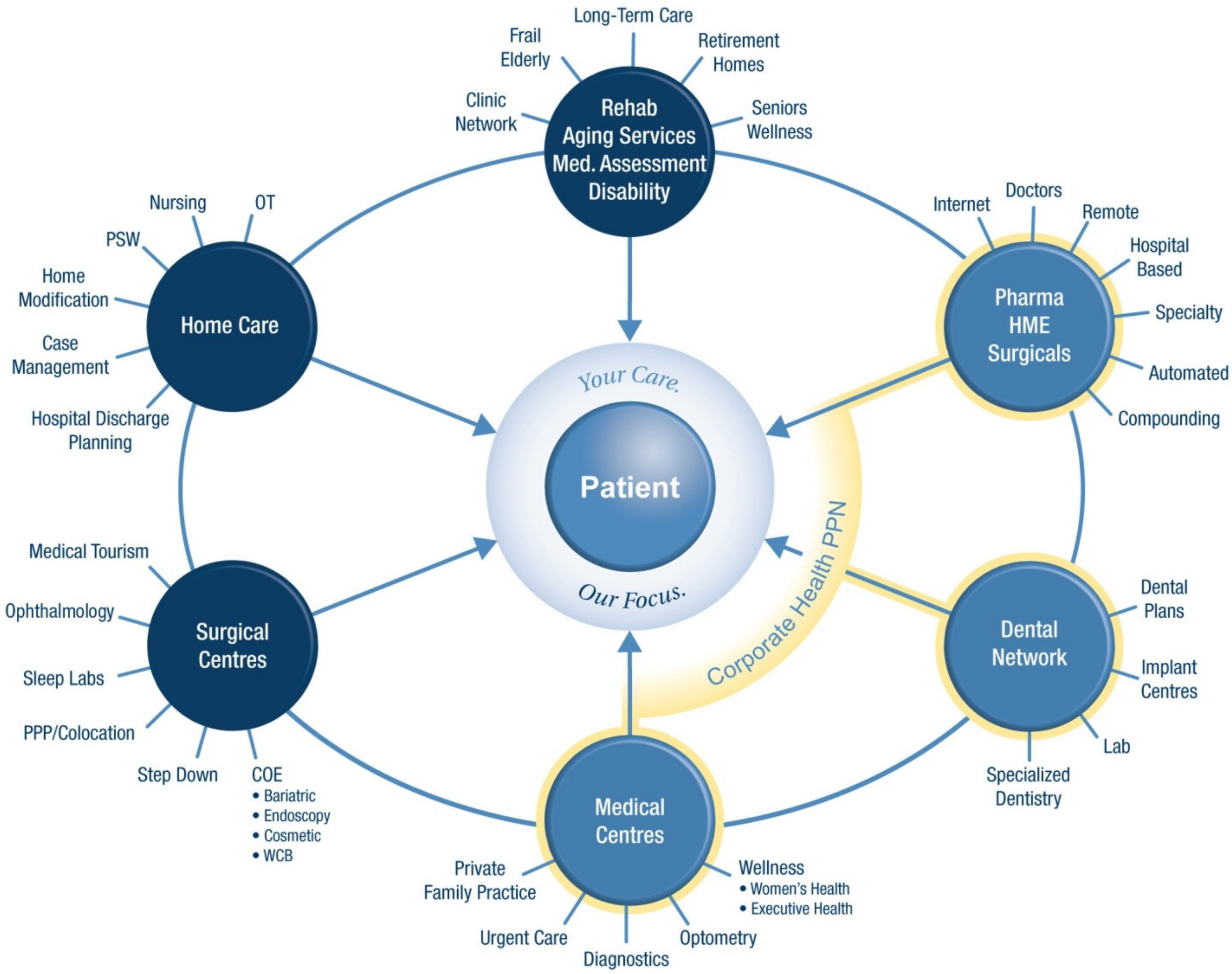




Centric Health has a strategic focus to differentiate its services and product offerings by partnering with healthcare professionals and employees to achieve clinical excellence with a focus on the highest standards of care. One of the objectives of the prospectus supplement to the base shelf prospectus was to offer Centric Health's staff, associates and healthcare professionals, via a directed share program, an opportunity to invest in an industry in which they work, understand and are passionate about. 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 Health to offer patients an integrated, multi-disciplinary, personalized unique brand of care.

It is expected that organic growth, top line initiatives as well as rationalization opportunities resulting in reduced corporate and operating costs will be realized over the next several quarters. Efficiencies have begun to be realized through consolidation of premises and facilitating centralization of support services and staff. These initiatives will continue in the coming quarters through IT systems integrations, centralized purchasing and standardization of various transaction streams in the operations of the businesses. In addition, the Company continues to pursue tuck-in acquisitions which will complement and enhance the Company's existing core operations. The Company's strategy for a diversified portfolio of healthcare operations is illustrated through the diagram below.

Diversified Healthcare Portfolio Strategy



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

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

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

Accreditation

The Company has a significant commitment to patient care and quality outcomes. A major component of the Company's commitment to quality is its voluntary participation in the Accreditation Programs offered by the Commission on Accreditation of Rehabilitation Facilities ("CARF") and the Canadian Physiotherapy Association ("CPA").

Accreditation is an extensive external review process, which involves evaluating the Company's level of conformance to rigorous standards in the areas of leadership, ethics, safety, human resource management, business practices, patient care and measurement of the results of the Company's care and service.

The Company's physiotherapy clinics across Canada maintain a Four - Year Accreditation with Commendation with the CPA. This means that the Company has achieved 100% substantial compliance for all standards with a strong indication that many of the criteria have been exceeded. There is clear evidence of a strong organization-wide commitment to continuous quality improvement and client-centred care. In addition, information, financial records and the rights of clients and personnel are safeguarded.

The Company's seniors wellness operations, the Company's interdisciplinary centres in BC, Alberta and Nova Scotia as well as the Company's physiotherapy clinic clinics in Ontario, New Brunswick and Nova Scotia also maintain a Three -Year Accreditation with the CARF.

CARF-accredited programs and services have demonstrated that they substantially meet internationally recognized standards. The Company believes that the accreditation seal of achievement assures customers that the Company meets or exceeds independent, nationally and internationally recognized standards for excellence in business practices and clinical service.

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

Business Outlook

Over the past 18 months the Company has achieved its strategic objectives of establishing an integrated national healthcare company with critical mass and mitigated its risk via different business units operating in 7 provinces. Revenue growth has been achieved through acquisitive and organic growth in the first half of 2012 and this revenue expansion is expected to continue in the coming quarters. The Company now has a national network and platform to focus on driving synergies across its various operations. The Company's focus for the balance of 2012 will be to continue developing leverage and cross-selling opportunities in order to drive revenue and income growth. Although the Company had an improved EBITDA in the second quarter of 2012 as compared to the first quarter of 2012, the Company believes that further EBITDA growth can be achieved within its core operations over the next four quarters and beyond.

The Company is rapidly moving forward with several projects to achieve revenue and income growth. These projects include directed cross-selling and new service initiatives across various operating segments. The Company expects to realize the benefits of these initiatives, which have a long sales cycle over the next four quarters. The Company's most advanced revenue growth opportunity is through bundled service contracts. The Company is leveraging its platform to offer bundled services of physiotherapy, pharma-care and home medical equipment services to senior's homes. The Company has signed several new bundled services contracts and further contracts are expected to be signed in the coming quarters. Utilization within the surgi-centers remains low and presents a high margin growth opportunity as many of the fixed costs are already covered. Other initiatives include increasing retail sales, roll-out of orthotics and expanding massage therapy within the physiotherapy network.

In addition to revenue growth, the Company also is heavily focused on operational efficiency to improve margins. As previously reported, the Company has initiated several special projects to achieve economies of scale and rationalization benefits going forward. These special projects include consolidated purchasing, undertaking a company-wide branding strategy, systems integration initiatives, focused working capital management and centralization of operational support services to achieve economies of scale. The benefits of the focused working capital management were realized in the second quarter of 2012 as the Company generated over $8,000 in positive cash flow from operations during the quarter. In the second quarter of 2012, the Company focused on the integration of Motion Specialties into the Company's centralized operational support services. The integration of Motion Specialties will continue in the third quarter of 2012. The Company expects to realize further benefits from many of these initiatives in the second half of 2012 and going forward. As reported in the MD&A in the third quarter of 2011, the Company anticipates that its rationalization and integration activities will result in $5,500 in savings. The Company realized some of these efficiencies in the first half of 2012 and expects the full financial impact of these efforts will be realized over the medium term.

Physiotherapy

The Company completed the acquisition of five physiotherapy operations in the first quarter of 2012 and is focused on growth in the physiotherapy segment through the acquisition of additional clinics that will be accretive to income and complimentary to the Company's national network. The Company has commenced a retail initiative within its physiotherapy clinics which should further grow the revenue and income of these operations. In addition, over the coming quarter the Company is looking to expand the presence of Performance Medical Group's orthotic products within the Company's physiotherapy clinics. Performance Medical Group's orthotic products are currently in 21 physiotherapy clinics and are targeted to expand to an additional 15 clinics by the end of the year.

Pharmacy

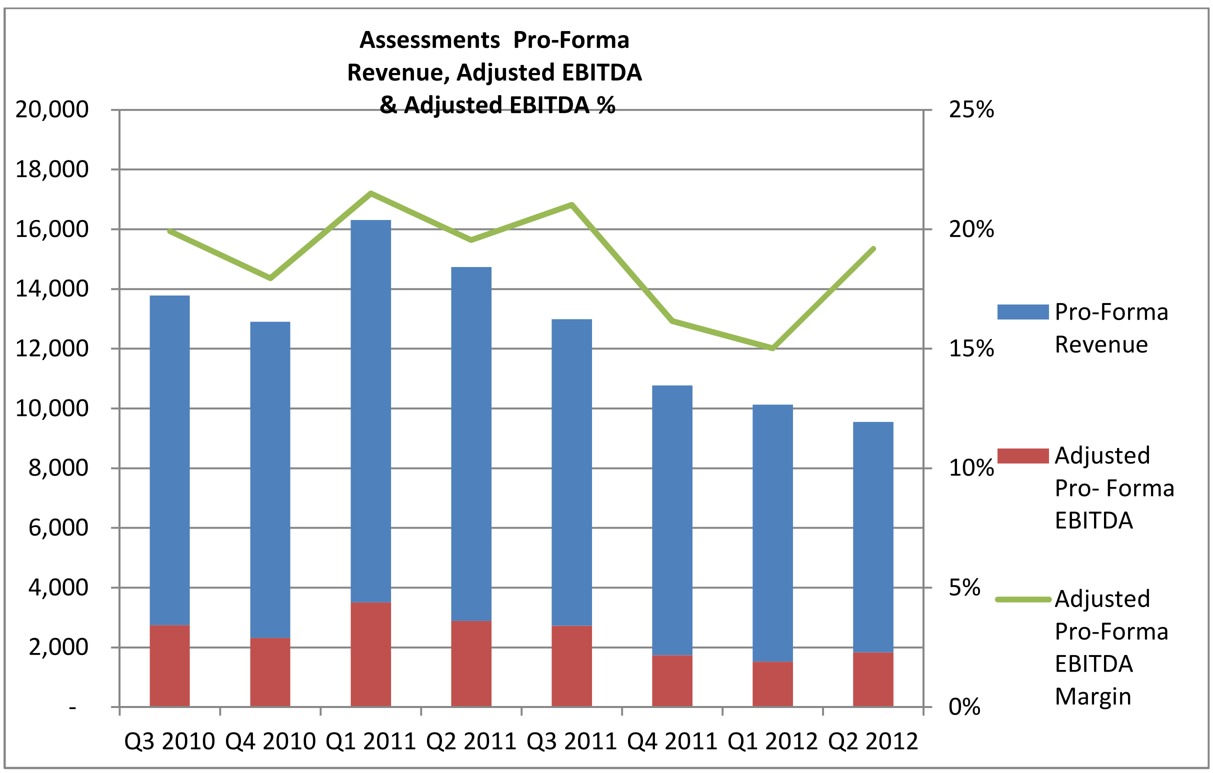
Revenues and EBITDA for the Company's pharmacy operations are expected to increase for the balance of 2012 as compared to 2011 due to organic growth through tenders for contracts, retail initiatives and maximizing the utilization of existing infrastructure. This segment will have the benefit of full year results from the acquisitions of Dedicated National Pharmacies Inc. ("DNP") and Classic Care Pharmacy Corporation ("Classic Care") which were acquired in August 2011 and November 2011, respectively. The Company's pharmacies are all currently located in Ontario and expansion of its pharmacy operations into other provinces is part of the Company's longer-term strategy.

Retail and Home Medical Equipment

The Company's retail and home medical equipment operations look to continue their growth in upcoming quarters as the integration of Motion Specialties continues. The acquisition of Motion Specialties has not only expanded the Company's retail footprint in Canada, it has also provided the Company with exciting synergy opportunities with the Company's existing MEDIchair operations, in addition to potential cross-selling initiatives with the Company's other operations. The Company is looking to open new Motion Specialties locations in 2012 and by the end of 2012, the Company anticipates that its orthotics operations will have expanded into 30 additional outlets. The management of Motion Specialties is also taking over the management of the MEDIchair corporate locations in order to drive efficiencies and synergies. Motion Specialties continues to expand its oxygen sales which is expected to further enhance this segment's Adjusted EBITDA in the balance of 2012. The Company is also looking at strategic acquisitions of certain existing MEDIchair franchisees that would enhance the Company's corporate store footprint.

Assessments

While revenues in the medical assessments segment continue to be adversely affected by legislative changes surrounding automobile insurance coverage, substantial efforts were made in the fourth quarter of 2011 and the first half of 2012 to reduce fixed costs and "right size" the business. In the first half of 2012, the Company continued to consolidate its operations in Ontario into fewer assessment centres in order to reduce excess overhead costs. This resulted in an improvement in the Adjusted EBITDA margin the second quarter. Revenue for this segment is anticipated to be $12 million to $15 million lower on a pro forma basis in 2012 as compared to 2011. The impact of the regulatory reform can be seen on the table below through the pro-forma revenue and Adjusted EBITDA margin since the third quarter of 2010 when these reforms were enacted.



Reflects pro-forma revenue, pro-forma Adjusted EBITDA and pro-forma Adjusted EBITDA % as if the acquisition of the LifeMark's assessment operations had occurred on July 1, 2010.

The Company is focusing on margin improvement practices to re-engineer the business and ensure future success so that the Company can continue to serve insurers and clients on a national basis with quality care and outcomes. The Company has specific plans to reduce operating costs by a further $500 for the balance of 2012.

(in thousands of dollars, except share amounts)

Surgical and Medical

The results of the surgical and medical operations of the Company have been steady but could be further enhanced in the future. The Company is looking at innovative opportunities to utilize excess operating room capacity. Under the direction of the Company's Medical Director for Surgical Centres, Dr. Glenn Copeland, the Company is expected to launch its first Surgical Centre of Excellence in 2012. This initiative will partner the Company with some of the country's leading surgical specialists.

Segment Overview

Physiotherapy

The physiotherapy segment is comprised of: a physiotherapy clinic network, approximately 150 physiotherapy clinics, seniors' wellness operations and the homecare business operated by Community Advantage Rehabilitation, Inc. ("CAR"). The seniors' wellness and homecare businesses are largely funded by the Ontario Ministry to Health and Long Term Care ("MOHLTC").

This segment also specializes in high quality rehabilitation and disability management services that focus on physiotherapy services to seniors in 457 retirement, assisted-living and long-term care homes with more than 49,700 residents operating primarily in the province of Ontario through its network of independent consultants.

CAR 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.

Pharmacy

The Company has developed a retail and niche pharmacy network of 18 pharmacies that service 34 treatment centres and pharmaceutical dispensing operations that service over 200 long-term care facilities with over 16,000 residents. This segment is comprised of Classic Care and DNP that services 34 addiction treatment centres across Ontario from its facilities. The Company's script count is over 700,000 scripts per month.

Retail and Home Medical Equipment

The Company diversified its services into retail and home medical equipment in 2011 and currently has over 140 retail and home medical locations across Canada. In addition to its existing MEDIchair and Performance Medical Group operations, in February 2012, the Company further expanded its home medical equipment services through the acquisition of Motion Specialties. The following chart provides an overview of the Company's Retail and Home Medical Equipment segment.

Operations	**Nature of Business**	**Locations**
Motion Specialties	A leading home health care provider offering a wide range of mobility devices, including: wheelchairs, scooters, walkers, bathroom safety equipment, portable oxygen, Continuous Positive Airway Pressure ("CPAP") machines, and home accessibility products such as stair lifts and home elevators.	24
MEDIchair	Specializes in the sales of various wheelchairs and accessibility equipment for the home. The results of MEDIchair include corporate-owned stores as well as royalties earned from franchised stores.	4 corporate stores and 66 franchise locations
Performance Medical Group	Offers state-of-the-art custom orthotics, off-the-shelf orthotics, custom bracing, laser and shockwave therapy.	Over 50 locations

With increased buying power, the Company has renegotiated volume rebates and more favorable payment terms which will assist with future working capital requirements.

Assessments

Arising from the Company’s right-sizing activities, the assessments segment is currently comprised of 5 medical assessment facilities across Canada. The operations in the assessments segment are preferred providers to a number of insurance companies in Canada. The Company has over 30 preferred provider assessment agreements and 3,750 assessors including 600 physicians.

This segment focuses on assessing and treating patients who have suffered motor vehicle and workplace injuries by providing independent evaluations to insurers, workers compensation boards and employers across Canada. Through relationships with patients, insurers, workers compensation boards and employers, the Company is providing superior service to its clients and patients by promoting best practice rehabilitative treatment plans and constantly compiling and analyzing data on patient outcomes.

Revenues and margins of the segment have been negatively impacted by the regulatory reform, a decline in motor vehicle accidents in Ontario ascribed to good weather, 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 outlook for this segment remains positive given the Company’s increased national presence as well as the Company’s focus on efficiencies and cost savings in operations. In the first half of 2012, the Company saw some positive signs as referrals increased on a month over month basis for the first time since regulatory reform was introduced in the fall of 2010 The Company also has continued with initiatives to right-size the assessments operations. While this segment has seen its revenues and profits decline over the past year and a half as a result of the regulatory reform, it continues to generate positive income and cash flows for the Company. As smaller assessment companies face difficulty in remaining profitable given the decline in the assessment markets, the Company is strategically well positioned to increase its market share given its size and national presence.

Surgical and Medical Centres

The Company has 7 Surgical and Medical Centres across Canada with a total of 19 operating rooms and 86 beds. The segment is comprised of the operations of the Don Mills Surgical Unit in Toronto, Ontario, Blue Water’s three locations in Sarnia, Windsor and London, Ontario, False Creek Health Centre in Vancouver, British Columbia, Canadian Surgical Solutions (“CSS”) in Calgary, Alberta and Maples Surgical Centre in Winnipeg, Manitoba.

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

(in thousands of dollars, except share amounts)

Selected Financial Information

The following selected financial information for the three and six month periods ended June 30, 2012, and 2011, has been derived from the condensed unaudited interim consolidated financial statements for three and six month periods ended June 30, 2012 and 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 month periods ended June 30,		Six month periods ended June 30,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Revenue	**114,123**	33,596	**218,376**	56,631
Income from operations	**6,159**	2,632	**11,622**	4,381
% of revenue	**5.4%**	7.8%	**5.3%**	7.7%
Income before interest expense and income taxes	**48,165**	14,087	**48,859**	7,969
EBITDA[3]	**55,017**	15,236	**62,984**	9,981
Adjusted EBITDA[4]	**12,478**	3,219	**24,174**	5,416
Per share - basic ($)	**$ 0.11**	$ 0.04	**$ 0.22**	$ 0.07
Per share – diluted ($)	**$ 0.10**	$ 0.03	**$ 0.18**	$ 0.06
Adjusted EBITDA margin	**10.9%**	9.6%	**11.1%**	9.6%
Net income	**42,366**	11,722	**37,715**	**4,598**
Per share ($) – basic	**$ 0.38**	$ 0.15	**$ 0.35**	$ 0.08
Per share ($) – diluted	**$ 0.34**	$ 0.11	**$ 0.29**	$ 0.06
Weighted average shares outstanding[5]	**112,370**	80,525	**109,123**	74,298
Shares outstanding June 30,[5]	**112,847**	80,643	**112,847**	80,643

[3] Defined in Reconciliation of Non-IFRS Measures
[4] Defined in Reconciliation of Non-IFRS Measures
[5] Excludes contingent escrowed shares
NM Not meaningful

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

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

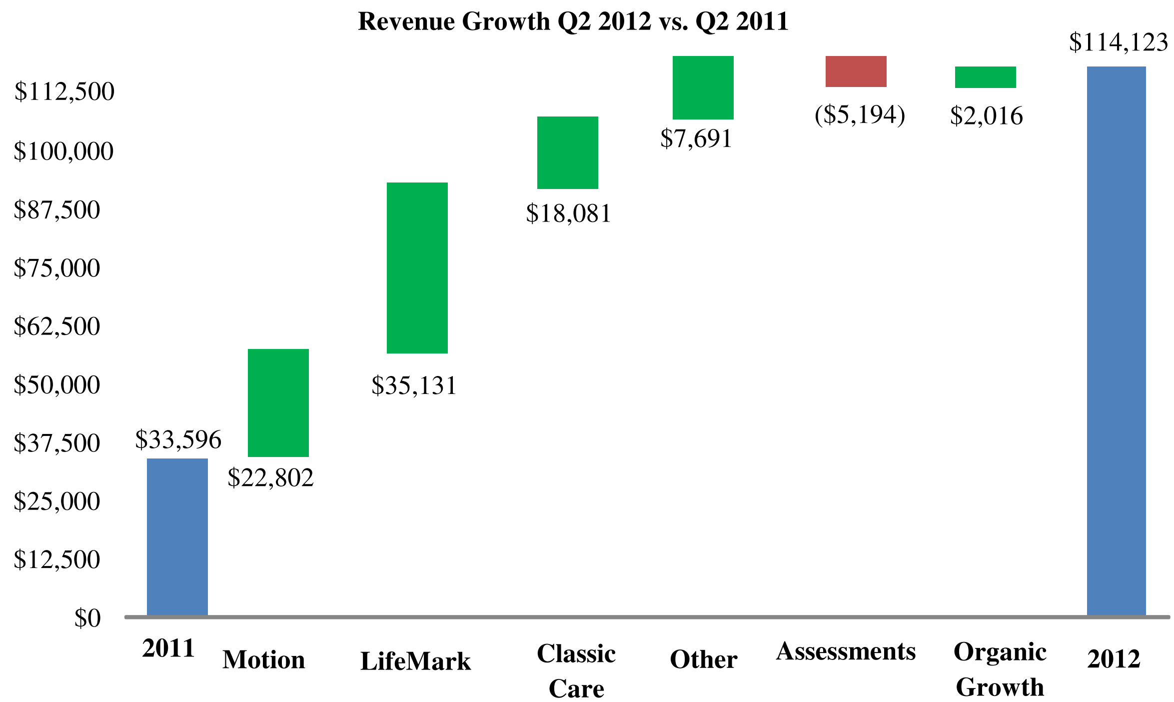
	Three months ended June 30,		**Six months ended June 30,**	
	2012	2011	**2012**	2011
	$	$	**$**	$
Net income	**42,366**	11,722	**37,715**	4,598
Depreciation and amortization	**6,319**	587	**12,552**	1,035
Interest expense	**5,584**	1,739	**10,654**	2,375
Change in fair value of derivative financial instruments	**(5)**	-	**(157)**	-
Loss on disposal of property and equipment	**-**	-	**44**	-
Stock-based compensation expense	**538**	562	**1,686**	977
Income tax expense	**215**	626	**490**	996
EBITDA	**55,017**	15,236	**62,984**	9,981
Transaction and restructuring costs	**2,454**	2,734	**4,781**	3,681
Decrease in fair value of contingent consideration liability	**(44,993)**	(14,751)	**(43,591)**	(8,246)
Adjusted EBITDA	**12,478**	3,219	**24,174**	5,416
Basic weighted average number of shares	**112,370**	80,525	**109,123**	74,298
Adjusted EBITDA per share (basic)	**$0.11**	$0.04	**$ 0.22**	$ 0.07
Fully diluted weighted average number of shares	**126,288**	102,746	**131,505**	95,388
Adjusted EBITDA per share (diluted)	**$0.10**	$0.03	**$ 0.18**	$ 0.06

In giving consideration to the agreement to cancel 40,000,000 LifeMark escrowed shares, on page 17 the Company has calculated Adjusted EBITDA per share including escrowed shares. The Company believes that this is a useful financial metric as it assists stakeholders to assess the impact on their value per share with consideration to the shares that will be cancelled subsequent to June 30, 2012.

Results of Consolidated Operations

Revenues

The Company's revenue for the three months ended June 30, 2012, increased by $80,527 to $114,123 as compared to the three months ended June 30, 2011. The increase was due mainly to growth from acquisitions. Revenue growth in this quarter from acquisitions includes $22,802 from Motion Specialties, $35,131 from LifeMark, $18,091 from Classic Care and $7,691 from other acquisitions including DNP, BWC and Performance Medical Group. The balance of the revenue increase of approximately $2,016 can be attributed to organic growth, synergies resulting from acquisitions and growth strategies. This is net of an estimated decline of $5,194 in assessment revenues due to changes in government regulations in the assessments sector.



The revenues for the six months ended June 30, 2012, increased by $161,745 to $218,376 as compared to the six months ended June 30, 2011. The acquisitions of LifeMark, Motion Specialties, Classic Care, DNP, BWC, Performance Medical Group and organic growth mainly in the Company's legacy physiotherapy operations were the main drivers for the increase in revenue. These increases were offset by a decline in revenue in the Company's assessment operations due to regulatory reforms in the assessments sector.

Physiotherapy revenue of $45,563 and $90,668 in the three and six month periods ended June 30, 2012 is comprised of fees for services rendered to patients for rehabilitative services through owned physiotherapy clinics as well as a managed network of member clinics. Fees are 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 for occupational therapy, nursing, social work and home care provided to patients through the CCAC.

Pharmacy revenues of $23,381 and $46,680 for the three and six month periods ended June 30, 2012 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.

Retail and Home Medical Equipment revenue of $26,307 and $43,467 for the three and six month periods ended June 30, 2012 is derived from sales of orthotics by the Performance Medical Group, through retail sales by MEDIchair and Motion Specialties corporate-owned stores and from royalties earned through MEDIchair franchisees. The results of Motion Specialties were only included for the six months ended June 30, 2012 from the date of acquisition of February 13, 2012 to June 30, 2012. Revenue from Motion Specialties represented approximately 84% of the revenue for the retail and home medical equipment segment for the first half of 2012 despite their results not representing a full six month period of operations.

Assessments revenue of $9,545 and $19,668 in the first quarter and first half of 2012 is comprised of fees for services rendered to auto insurers, workers compensation boards and employers for assessment services rendered through owned assessment clinics as well as a managed network of member assessment facilities.

Surgical and Medical revenues of $9,327 and $17,873 for the current quarter and first half of 2012 are comprised of fees for surgeries, consultations, diagnostic studies and procedures booked through the Company's facilities, and for the use of the Company's facilities by third parties such as medical practitioners with outside practices and government agencies such as regional health authorities.

Expenses

Most of the Company's costs have increased between the second quarter of 2011 as compared to the second quarter of 2012 and the first half of 2011 as compared to the first half of 2012 due to the Company's significant acquisition activity over the past year and a half.

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 and six month periods ended June 30, 2012, were $56,401 and $109,809 compared to $18,712 and $32,750 for the same periods in the prior year. As a percentage of revenue, the cost of healthcare services and supplies improved to 49.4% from 55.7% between the second quarters of 2012 and 2011 and improved to 50.3% from 57.8% between the first half of 2012 as compared to the first half of 2011.

Employee costs include salaries and benefits of employees working directly in each business segment. For the three and six month periods ended June 30, 2012, employee costs were $25,329 and $46,808 compared to $5,521 and $8,862 for the same periods in the prior year. Included in the cost of health care services and supplies and employee costs for the three months and six months ended June 30, 2012 is a net benefit of $865 resulting from the realization of Scientific Research and Experimental Development tax credits.

Other operating expenses include occupancy costs, insurance, communication, advertising and promotion and administrative expenses incurred at the operational level. Other operating expenses for the three and six month periods ended June 30, 2012, were $15,777 and $29,345 compared to $4,221 and $6,070 in the comparable periods in the prior year.

Corporate office expenses include salaries and benefits, occupancy costs, insurance, communication, advertising and promotion and other costs of the corporate office. The corporate office supports human resources, finance and information technology as well as the executive management of the Company. Corporate expenses for the three and six month periods ended June 30, 2012, were $4,138 and $8,240 compared to $1,923 and $3,533 for the three and six month periods ended June 30, 2011. Corporate office expenses have improved from 5.7% and 6.2% of revenue for the three and six month periods ended June 30, 2011 to 3.6% and 3.8% for the three and six month periods ended June 30, 2012. The support services provided through the corporate offices largely support the operations of the Company and certain of these costs have been allocated to the operating segments based on the extent of corporate management's involvement in the reportable segment during the period. In the first half of 2012, the Company incurred $558 in non-recurring recruitment fees and consulting fees for the first six months of 2012 in bolstering its Corporate operations centre. Moreover, the Company incurred additional non-recurring audit fees of $395 that were expensed in 2012 related to the 2011 audit as a result of the numerous complexities associated with the acquisitions the Company completed in 2011. The Company has also invested in non-recurring costs in the first half of 2012 to enhance the Company's intraweb and external website. It is expected that continued focus on value add, support and further efficiencies in these corporate services will result in the corporate costs as a percentage of the Company's revenue improving on a go-forward basis.

Depreciation and amortization increased by $5,732 from $587 for the three months ended June 30, 2011 to $6,319 for the three months ended June 30, 2012. Depreciation and amortization increased by $11,517 from $1,035 for the six months ended June 30, 2011 to $12,552 for the six months ended June 30, 2012. The majority of this increase is a result of the amortization of intangible assets recognized in the determination of identifiable assets from the Company's acquisitions in 2011. The amortization of intangible assets was $4,576 and $9,188 for the three and six month periods ended June 30, 2012. The remaining increase in depreciation and amortization is directly a result of increased depreciation of property and equipment as the Company's capital asset base has grown through its acquisitions.

For the three months ended June 30, 2012, **income 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 $6,159 or 5.4% of revenues. For the three months ended June 30, 2011, income from operations was $2,632 or 7.8% of revenues. As a percentage of revenue, income from operations decreased from the same period in the prior year due to increased amortization expense from intangible assets recognized from 2011 acquisitions. The adjusted EBITDA for the three months ended June 30, 2012 was $12,478 as compared to $3,219 for the three months ended June 30, 2011. Adjusted EBITDA represented approximately 10.9% of revenue for the three months ended June 30, 2012 as compared to approximately 9.6% for the same period in the prior year.

For the six months ended June 30, 2012, **income 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 $11,622 or 5.3% of revenues. For the six months ended June 30, 2011, income from operations was $4,381 or 7.7% of revenues. As a percentage of revenue, income from operations decreased from the same period in the prior year due to increased amortization expense from intangible assets recognized from 2011 acquisitions. The adjusted EBITDA for the six months ended June 30, 2012 was $24,174 as compared to $5,416 for the six months ended June 30, 2011. Adjusted EBITDA represented approximately 11.1% of revenue for the six months ended June 30, 2012 as compared to approximately 9.6% for the same period in the prior year.

Stock-based compensation, a non-cash expense, decreased by $24 and increased by $709, to $538 and $1,686, for the three and six month periods ended June 30, 2012. These changes are due an increase in the fair value of stock-based compensation due to an increase in the value of the common shares of the Company in the current period relative to the prior period offset by a one-time reversal of stock-based compensation expense related to shares cancelled for the former CEO.

(in thousands of dollars, except share amounts)

Interest expense for the three and six month periods ended June 30, 2012, was $5,584 and $10,654 as compared to $1,739 and $2,375 for the same periods in the prior year. Interest expense relates to the Term Loan and Revolving Facility arranged in June 2011, the distribution on preferred partnership units, the related party loans obtained in November 2010, the capital leases assumed in acquisitions, the convertible debt issued in December 2011, February 2012 and May 2012 and the amortization of an interest rate swap which do not qualify for hedge accounting treatment.

	Three months ended June 30		**Six months ended June 30,**	
	2012	2011	**2012**	2011
	$	$	**$**	$
Interest on long-term loan and revolving facilities	**2,872**	523	**5,480**	655
Amortization of loan arrangement fees	**440**	611	**830**	685
Interest on related party debt	**75**	141	**150**	301
Accretion of related party loan discounts	**92**	500	**191**	720
Interest on capital leases	**28**	45	**57**	109
Amortization of deferred loss on interest rate swap	**-**	44	**-**	62
Interest on convertible debt	**313**	-	**476**	-
Accretion on convertible debt	**78**	-	**124**	-
Interest expense before distributions for preferred partnership units	**3,898**	1,864	**7,308**	2,532
Distributions for preferred partnership units	**1,687**	-	**3,375**	-
Total interest expense	**5,585**	1,864	**10,683**	2,532
Interest income	**1**	125	**29**	157
Net interest expense	**5,584**	1,739	**10,654**	2,375

Transaction and restructuring costs decreased by $280 to $2,454 for the three months ended June 30, 2012 as compared to the same period in the prior year as during the second quarter in the prior year, the Company completed the transformative acquisition of LifeMark. This decrease is partially offset by costs incurred in the quarter from the right-sizing of the Company's assessment operations, including severance and closure costs for certain assessment centres, and closure costs for one of the Company's physiotherapy clinics. Transaction and restructuring costs have increased by $1,100 for the six months ended June 30, 2012 to $4,781. The Company made significant acquisitions of Surgical Spaces Inc. ("SSI") and LifeMark in the first half of 2011 and completed the acquisition of Motion Specialties and five physiotherapy clinic operations during the first half of 2012. While direct costs for these acquisitions were lower in 2012 as compared to 2011, the Company has realized an increase is transaction and restructuring costs in 2012 as a result of restructuring costs incurred for the departure of the Company's former CEO, right-sizing costs for the Company's assessment operations and the closure of certain physiotherapy clinics in the first half of 2012.

For the three and six months ended June 30, 2012, the Company recognized gains on the fair value of its contingent consideration liabilities of $44,993 and $43,591, as compared to gains of $14,751 and $8,246 for the same periods in the prior year. The Company is required to value contingent consideration liabilities pursuant to its business combination activities. The Company's common share price fluctuated significantly throughout 2011 and in the first half of 2012 which affected the quantum at which 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. The Company's valuation method to determine the value of contingent consideration is largely based on the value of common shares including a discount to reflect that the shares are not freely tradable until they are released from escrow and the probability of the acquired business achieving stated performance targets. Warrants accrue to the vendors subject to achieving outperformance of earnings targets. The valuation of contingent consideration on the date the acquisition closes becomes part of the total consideration in the purchase price allocation. Subsequently, the contingent consideration is revalued on each reporting date with changes in fair value included in the statement of income. The two main driving factors behind the gain in contingent consideration was the decline in the Company's share price from June 30, 2011 to June 30, 2012 and the settlement of the LifeMark contingent consideration.

LifeMark Earn-out

The Company's largest contingent liability related to the acquisition of LifeMark. The contingent consideration earn-out period for LifeMark ended as of June 30, 2012. Subsequent to June 30, 2012, the Company agreed to release 6,875,000 of the LifeMark escrowed shares to the LifeMark vendors as LifeMark achieved certain performance metrics as specified in the purchase agreement for this transaction. The remaining 40,000,000 LifeMark escrowed shares will be cancelled. The impact on Adjusted EBITDA per share including escrowed shares of the cancellation of the LifeMark shares is outlined below.

Caption	Common shares including escrowed shares	Common shares after cancellation of LifeMark escrowed shares
Total outstanding and escrowed shares (in 000s)	181,953	181,953
Cancellation of LifeMark escrowed shares (in 000s)	-	(40,000)
Adjusted outstanding and escrowed shares (in 000s)[6]	181,953	141,953
Year to Date Adjusted EBITDA	24,174	24,174
Adjusted EBITDA per share including escrowed shares[7]	**$0.13**	**$0.17**

LifeMark fell short of achieving the estimated range of escrowed shares expected to be issued to LifeMark of 50% - 70% which was estimated at March 31, 2012 and December 31, 2011. The projected EBITDA to earn all of the escrowed shares for the LifeMark bases business was approximately $29,000 whereas the LifeMark base business earned $23,800 during the earnout period. The main factors resulting in this outcome were the underachievement of performance targets by LifeMark's assessments operations, which represents less than 30% of the acquired LifeMark operations, as a result of regulatory reform in the industry and higher than expected debt and other obligations that were incurred by the Company from the LifeMark acquisition. Although the assessment's operations contributed positive income to the Company's operations, the extent of the profit stream that was originally anticipated from LifeMark's assessment operations at the time of the LifeMark acquisition never materialized over the past year. The remaining LifeMark business performed in-line with expectations. As previously disclosed, the LifeMark earn-out formula is highly sensitive, as every $1 million change in actual EBITDA for LifeMark resulted in a change of approximately 6.6 million common shares that could be earned and released from escrow. The structure of the earnout model was designed to maintain an acquisition price that represented approximately 8.5 times of EBITDA. In comparing the impact on Adjusted EBITDA per share had all of the LifeMark escrowed shares been released at June 30, 2012 as compared to whether the settled amount of 6,875,000 LifeMark escrowed shares had been released, the impact of the cancellation of the 40,000,000 escrowed shares would represent an enhancement of Adjusted EBITDA per share including escrowed shares by 30.8%.

On February 28, 2012, the Company issued 10,127,956 of common shares that had been held in escrow to the SSI vendors as SSI achieved certain performance metrics as specified in the purchase agreement for this transaction. The remaining 1,700,000 common shares held in escrow for the vendors of SSI were cancelled. There were no warrants for outperformance that were issued to the vendors of SSI.

[6] Total outstanding and escrowed shares less the impact of either no LifeMark escrowed shares being cancelled or 40,000,000 LifeMark escrowed shares being cancelled.

[7] Adjusted EBITDA divided by Adjusted outstanding and escrowed shares.

(in thousands of dollars, except share amounts)

The Company's contingent consideration from significant acquisitions in addition to the LifeMark acquisition is outlined in the table below:

Acquisition	Effective Date of Acquisition	Earn-out Period	Warranted EBITDA (Average over earn-out period)	Escrowed Shares	Estimated Probability of Achieving Performance Targets
BWC	August 17, 2011	3 years	$4,650	6,828,846	Common Shares – 50% - 70% Warrants – 10%
Classic Care	November 17, 2011	1 year	$6,670	2,810,094	Common Shares – 100% Warrants – 100%
Performance Medical Group (75% ownership)	December 8, 2011	2 years	$2,750	3,000,000	Common Shares – 85% - 100% Warrants – 10%
Motion Specialties	February 13, 2012	3 years	$10,000	9,004,641	Cash and Common Shares – 80% - 100% Warrants – 10%

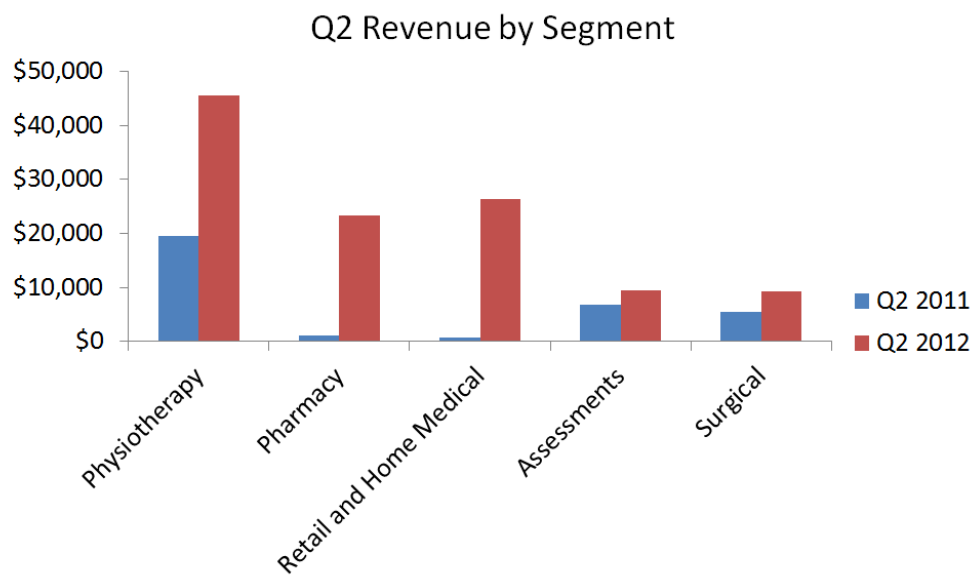
Income tax expense was comparable between the first quarters of the current year and prior year. Income tax expense is calculated at the statutory rate of approximately 27% and is applied on income before taxes adjusted for items that adjust income for tax purposes, primarily stock-based compensation, changes in fair value of contingent consideration, transaction costs, losses carried forward, capital cost allowances and eligible capital deductions.

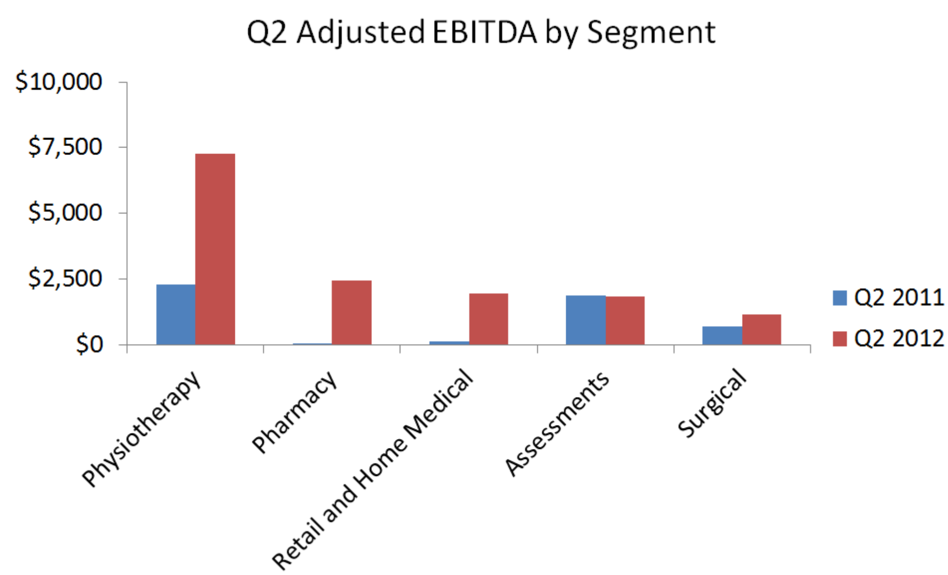
Results of Segmented Operations

This section presents the results of operations for the three and six month periods ended June 30, 2012 and 2011 for the various operating segments of the Company. Operating segments, as reported to the Chief Operating Decision Makers ("CODM") are as follows: Physiotherapy, Pharmacy, Retail and Home Medical Equipment, Assessments and Surgical and Medical Centres.

(in thousands of dollars, except share amounts)

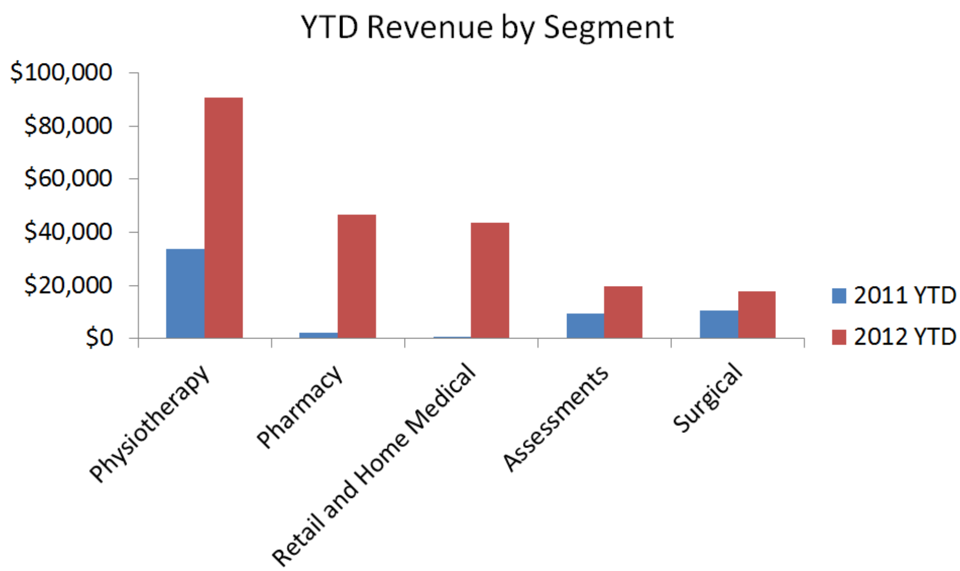
Three month periods ended June 30,	Revenue		Adjusted EBITDA			
	2012 **$**	2011 $	**2012** **$**	**%**	2011 $	%
Physiotherapy	**45,563**	19,515	**7,284**	**16.0**	2,279	11.7
Pharmacy	**23,381**	1,057	**2,426**	**10.4**	23	2.2
Retail and Home Medical Equipment	**26,307**	706	**1,961**	**7.5**	133	18.8
Assessments	**9,545**	6,820	**1,831**	**19.2**	1,861	27.3
Surgical and Medical Centres	**9,327**	5,498	**1,132**	**12.1**	700	12.7
Corporate	**-**	-	**(2,156)**	**-**	(1,777)	-
Total	**114,123**	33,596	**12,478**	**10.9**	3,219	9.6

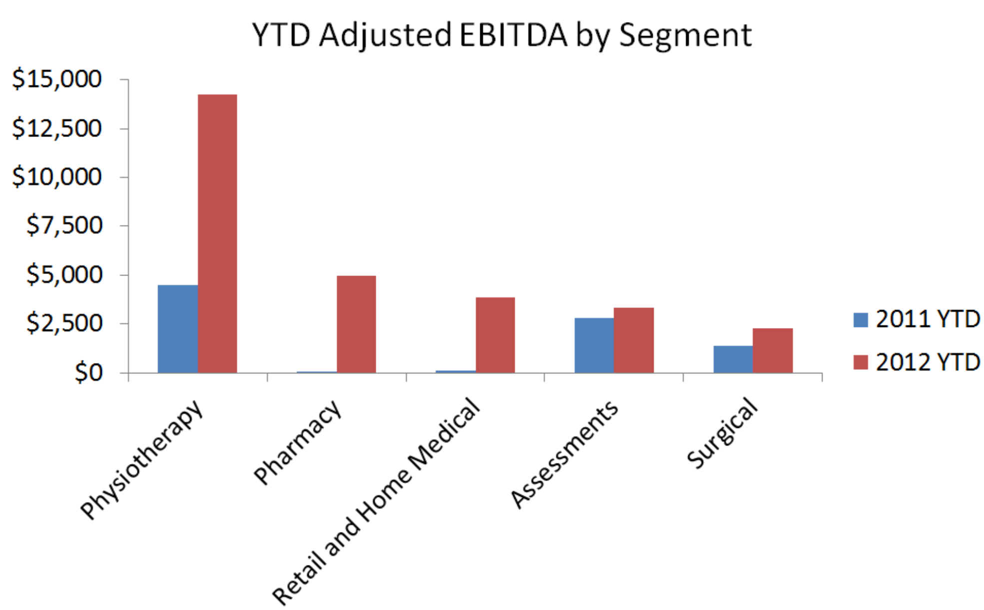




(in thousands of dollars, except share amounts)

Six month periods ended June 30,	Revenue		Adjusted EBITDA			
	2012	2011	**2012**	**%**	2011	%
	$	$	**$**		$	
Physiotherapy	**90,688**	31,258	**14,258**	**15.7**	4,484	14.3
Pharmacy	**46,680**	2,135	**4,955**	**10.6**	66	3.1
Retail and Home Medical Equipment	**43,467**	706	**3,878**	**8.9**	133	18.8
Assessments	**19,668**	11,894	**3,352**	**17.0**	2,725	22.9
Surgical and Medical Centres	**17,873**	10,638	**2,268**	**12.7**	1,371	12.9
Corporate	**-**	-	**(4,537)**	**-**	(3,363)	-
Total	**218,376**	56,631	**24,174**	**11.1**	5,416	9.6





Physiotherapy

Revenue for the **Physiotherapy** segment increased by $26,138 and $59,430 or 134% and 190% as compared to the same three and six month periods in the prior year. The majority of this growth is attributable to revenue from the acquired LifeMark operations, including its seniors' wellness division and the operations of over 100 clinics. The Company added 12,174 beds through the LifeMark acquisition on June 9, 2011. In the prior year three and six month periods, there were 21 days of operations from LifeMark included in the results of this segment as opposed to the full periods in the current year. Seniors' wellness and homecare is based in Ontario and the majority of revenue is funded through various government insurance programs and agencies related to the MOHLTC.

Adjusted EBITDA increased from $2,279 and $4,484 for the three month and six month periods ended June 30, 2011 to $7,284 and $14,258 for the three and six month periods ended June 30, 2012. Adjusted EBITDA as a percentage of revenue improved to 16.0% from 11.7% on a comparative basis for the three month periods ended June 30, 2012 and 2011. Adjusted EBITDA as a percentage of revenue marginally increased from 14.3% to 15.7% in the current year for the six month periods ended June 30, 2012 and 2011. This marginal increase can mainly be attributed to synergies from the integration of LifeMark's physiotherapy operations with the Company's legacy operations.

Pharmacy

Pharmacy revenues increased from $1,057 and $2,135 for the second quarter and first half of 2011 to $23,381 and $46,880 for the second quarter and first half of 2012. The significant increase in pharmacy revenue can be attributed to the acquisitions of DNP on August 15, 2011 and the acquisition of Classic Care on November 17, 2011. Collectively, the acquisitions of DNP and Classic Care added $22,475 and $44,686 in revenue for the three months and six month periods ended June 30, 2012. The Company's pharmacy operations continue to pursue revenue-generating and diversification strategies to further enhance its performance.

Adjusted EBITDA increased by $2,403 and $4,889 to $2,426 and $4,955 between the second quarter and first half of 2011 and the second quarter and first half of 2012 respectively. This increase can mainly be attributed to the added profits from DNP and Classic Care which businesses generate higher margins as compared to the Company's legacy operations. In addition, the Adjusted EBITDA margin increased from 3.1% for the six months ended June 30, 2012 to 10.6%. The increased margins are mainly due to DNP and Classic Care having higher margins that the Company's legacy pharmacy operations. Moreover, the Company has been able to achieve economies of scale through bulk purchasing for its consolidated pharmacy operations. All proposed Ontario legislative changes have now been implemented and will have minimal effect on future margins.

Retail and Home Medical Equipment

The **Retail and Home Medical Equipment** segment was a new segment for the Company commencing in the second quarter of 2011. This segment comprises the operations of Motion Specialties, MEDIchair and Performance Medical Group. Prior year revenue and EBITDA of $706 and $133 represented the results of MEDIchair for a 21 day period from the date of its acquisition on June, 9, 2011 to June 30, 2011. Revenue for this segment for the three and six month periods ended June 30, 2012 was $26,309 and $43,467. Adjusted EBITDA for this segment for the three and six month periods ended June 30, 2012 was $1,961 and $3,878. On December 7, 2011, the Company acquired Performance Medical Group which generates a significant portion of its revenue from the sales of orthotics. On February 13, 2012, the Company completed its acquisition of Motion Specialties, which increased the Company's national presence in the home health care sector. Motion Specialties is the largest component of this segment and its addition will result in overall lower Adjusted EBITDA margins for the segment. Previously the Adjusted EBITDA margin for this segment were higher as this segment includes the royalty revenues earned from the MEDIchair franchises which has significantly fewer costs associated with earning the revenue. As MEDIchair's royalty revenues become a much smaller component of this segment with the addition of Motion Specialties, it will lead to the Adjusted EBITDA margin to decrease. With combined buying power, certain supplier contract volume rebates and payment terms have been renegotiated which improved the Adjusted EBITDA margin this quarter and into the future.

Assessments

Revenue for **Assessments** increased by $2,725 and $7,774 or 40% and 65% from the three and six month periods ended June 30, 2011 to the three and six month periods ended June 30, 2012. This increase in revenue is due to the acquisition of LifeMark as in the prior year three and six month periods 21 days of operations were included in the results of this segment as opposed to the results for the full three and six month periods in the current year.

Adjusted EBITDA decreased to $1,831 from $1,861for the three month periods ended June 30, 2012 and 2011 and increased to $3,352 from $2,725for the six month periods ended June 30, 2012 and 2011. The Adjusted EBITDA margin decreased to 17.0% from 22.9% for the six month periods ended June 30, 2012 and 2011. This margin decrease is mainly due to the overall decline in the assessments industry. However, the Company did record an Adjusted EBITDA margin increase of 2.0% from the first quarter to second quarter of 2012 due to the Company's ongoing right-sizing of the assessments operations. The Company continues to re-engineer and reduce its costs in response to regulatory reforms in the assessments segment in order to improve its margin earned.

Referrals from auto insurers had been in a continuous decline as a result of regulatory reform in this segment, however referrals have stabilized on a month over month basis since March 2012, however revenue per assessment has decreased on a year over year basis. The regulatory reform included changes to minor injury guidelines, price caps, changes in case-mix of referrals and consolidation within the industry. The acquired LifeMark assessment operations have seen challenges in their ability to perform to targeted revenue and profit margins. The Company 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.

While the total market in assessments is in decline, the Company is focused on growing the business through initiatives aimed at increasing the Company's market share. The Company is aggressively pursuing revenue generating opportunities with auto insurers and workers compensation boards and has successfully obtained additional contracts with insurers in the current year for future work due to its national representation and focus on quality treatment, care and outcomes. The Company has critical mass in the national market, providing greater diversification within the auto insurance industry, offering multiple disciplines within our current assessor roster and being staffed with professionals that allow the business to capitalize on opportunities within the disability, employer and government markets.

Surgical and Medical Centres

Revenue generated by the **Surgical and Medical** segment for the three and six month periods ended June 30, 2012 was $9,327 and $17,873 as compared to $5,498 and $10,638 for the same periods in 2011. This revenue increase from the same period in the prior year is a result of the acquisition of CSS as part of the LifeMark transaction on June 9, 2011 and the acquisition of BWC on August 17, 2011. For the three and six month periods ended June 30, 2012, the collective incremental revenue contribution from these acquisitions was $3,490 and $6,834. Approximately 71% of the Company's revenue for the first half of 2012 in the surgical and medical centres segment comes from the Company's SSI and CSS operations in Western Canada.

Adjusted EBITDA increased from $700 and $1,371 for the three and six month periods ended June 30, 2011 to $1,132 and $2,268 for the three and six month periods ended June 30, 2012. These increases can be attributed to the CSS and BWC acquisitions in this segment. The EBITDA margin remained consistent at approximately 12.7% and 12.9% for the six month periods ended June 30, 2012 and 2011.

Liquidity and Capital Resources

The main working capital requirement relates to the financing of inventories and accounts receivable primarily from the MOHLTC, other government agencies, employers and insurance companies. These receivables totaled $59,965 at June 30, 2012. 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 focused 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. The

Company is focused on managing its cash flows and is seeking to better align supplier payment terms with its cash collections cycle from government agencies and insurance companies.

The Company has a Term Loan agreement with a syndicate of Canadian banks. The Term Loan 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 subsequent to June 30, 2012, total $13,750. In addition to the Term Loan, the syndicate has also provided the Company with a Revolving Facility with a limit of $35,000, inclusive of $5,000 swing line availability, at a variable rate based on prime. The Company also had additional borrowing capacity in terms of a pre-arranged accordion of $40,000 to be made available under its Revolving Facility, for acquisitions. During the six months ended June 30, 2012, the Company used the accordion as part of its acquisition of Motion Specialties and as such currently has a borrowing limit of $75,000 under the Revolving Facility. The Revolving Facility has a term of four years and accrues interest at variable rates based on prime. At June 30, 2012, the Company had borrowed $133,750 against the Term Loan and $69,093 against the Revolving Facility. The Company has made principal repayments of $21,250 against the Term Loan in the six months ended June 30, 2012, including a $15,000 pre-payment from proceeds for a private placement in May 2012. 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 was in compliance with its financial performance covenants at June 30, 2012. The Company did not meet certain of its financial performance covenants at March 31, 2012 and December 31, 2011. However, the Company received a waiver from its lenders subsequent to March 31, 2012 and December 31, 2011, respectively, with respect to certain financial performance covenants at March 31, 2012 and December 31, 2011. As required under IFRS, the Company presented its net Term Loan and Revolving Facility balances as current liabilities for these periods. At June 30, 2012, the Company's Term Loan and Revolving Facility balances are presented as long-term liabilities except for any amounts which are scheduled to be repaid by the Company within the next twelve months.

The Company anticipates that, based on meeting its approved 2012 operating budget it will generate sufficient cash flow from operations in 2012 to meets its obligations as they come due. On May 10, 2012, the Company amended its lending agreement in order to revise certain financial performance covenants. These revised covenants are based on the Company's approved operating budget and provide the Company with greater financing flexibility. Based on these measures, the Company continuing to meet its current budget, working capital management initiatives and other financing opportunities, the Company expects to be in compliance with its financial performance covenants for the balance of 2012 and subsequent periods.

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 its existing business. The Company has identified numerous cash flow improvement initiatives which are being implemented in 2012 that are expected to improve the net cash flow after debt service costs. The Company is pursuing initiatives to reduce its senior debt levels through improved cash flow and may undertake financings from time to time to support the continued growth and strategic development of the Company. 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's target in the medium term is to maintain a debt to EBITDA level between 2.75 and 3.25. The Company filed a base shelf prospectus on October 21, 2011, to raise additional capital of up to $265,500 through the issuance of debt securities, common shares and share purchase warrants. The Company's first public offering, strategically focusing on its staff and healthcare professionals through a directed share program, was completed in two closings of December 2011 and February 2012 and raised a total of gross proceeds of $13,610 from more than 180 participants.

Cash Flow

Cash flow activities for the three and six month periods ended June 30, 2012 were as follows:

Operating Activities

For the three months ended June 30, 2012, cash provided by operating activities was $8,003, compared to $439 used in operating activities for the same period in 2011. For the six months ended June 30, 2012, cash used in operating activities was $2,900, compared to $2,260 used in operating activities for the first half of 2011. In the first quarter of 2012, the Company undertook a strategic initiative to negotiate more favorable terms with certain suppliers in the retail and home medical equipment segment. As a part of this initiative, the Company paid down its amounts owing to these suppliers on a more rapid basis in the first quarter of 2012. In the second quarter of 2012, the Company began to realize the benefits from this initiative. Moreover, the Company enhanced its focus on managing working capital. Through these initiatives the Company generated positive cash flows from operating activities for the second quarter of 2012. This can be evidenced by the decrease in accounts receivable by $4,785 from the first to the second quarters of 2012. In addition, included in operating activities is transaction and restructuring costs incurred of $2,454 and $4,781 for the three and six month periods months ended June 30, 2012. Cash provided by operating activities, exclusive of transaction and restructuring costs, is $10,457 and $1,881 for the three and six month periods ended June 30, 2012.

Investing Activities

For the three and six month periods ended June 30, 2012, the Company used $3,167 and $22,695 for investing activities as compared to $85,426 and $93,408 for the three and six month periods ended June 30, 2012. The Company used $17,649 for the acquisitions of businesses in the first half of 2012 which is consistent with the Company's growth strategy. The cash consideration component of acquisitions completed in the first half of 2012 included $14,875 for Motion Specialties and $2,727 for the acquisition of five physiotherapy businesses.

The purchase of property and equipment for the three and six month periods ended June 30, 2012 was $2,275 and $3,733 as compared to $973 and $1,278 for the same periods in the prior year. The Company also entered into $188 of new capital leases for surgical equipment during the first half of 2012.

Financing Activities

During the three and six month periods ended June 30, 2012, the Company made scheduled repayments of $3,125 and $6,250 towards its Term Loan. In addition, the Company made a prepayment of $15,000 towards its Term Loan for the three and six month periods ended June 30, 2012 from proceeds raised from a private placement in May 2012. The Company borrowed an additional $6,471 and $42,205 during the three and six month periods ended June 30, 2012. Of these additional borrowings, $17,535 was used for business acquisitions completed in the first quarter of 2012. The Company paid $4,946 and $9,509 in cash interest on its borrowings for the three and six month periods ended June 30, 2012.

Equity

As at June 30, 2012, the Company had total shares outstanding of 181,952,586. The outstanding shares include 69,106,081 shares which are held in escrow and will be released to certain vendors of acquired businesses based on the achievement of certain performance targets. In the event that performance targets are not met, escrowed shares are subject to reduction based on formula's specific to each transaction. The Company previously held 600,000 in restricted shares for the Company's former CEO. These restricted shares were cancelled on May 8, 2012. Escrowed shares are not reflected in the shares reported on the Company's financial statements. Accordingly, for financial reporting purposes, the Company reported 112,846,505 common shares outstanding as at June 30, 2012 and 98,220,254 shares outstanding at December 31, 2011.

The period of evaluation for performance targets relating to the LifeMark acquisition concluded on June 30, 2012. Subsequent to June 30, 2012, the Company agreed to issue 6,875,000 of the LifeMark escrowed shares to the LifeMark vendors as certain performance metrics were achieved as specified in the purchase agreement for this transaction. The remaining 40,000,000 LifeMark escrowed shares will be cancelled.

The period of evaluation for performance targets relating to the SSI acquisition concluded on December 31, 2011. SSI achieved certain performance targets and as a result, on February 28, 2012, 10,127,956 shares of the 11,827,956 SSI escrowed shares were released from escrow to the SSI vendors. The remaining 1,700,000 shares in escrow were cancelled. The vendors of SSI did not earn any outperformance warrants.
The Company issued 3,597,632 freely tradable common shares to the vendors of acquired businesses in the first half of 2012.

For the six month period ended June 30, 2012, option holders exercised 587,500 options to purchase an equivalent number of shares at a weighted average exercise price per share of $0.48. As at June 30, 2012, there were a total of 12,305,000 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $1.29, expiring at various dates through 2017. The number of exercisable options at June 30, 2012, was 2,466,375 with a weighted average exercise price of $0.88. In April 2012, the Company granted 1,875,000 stock options.

As at June 30, 2012, there were 27,794,363 warrants outstanding. During the six months ended June 30, 2012, 4,513,163 warrants were issued in conjunction with the February 2012 public offering and the May 2012 private placement.

Should all outstanding options and warrants that were exercisable at June 30, 2012 be exercised, the Company would receive proceeds of $14,413.

As at the date of this report, August 14, 2012, and after the cancellation of 40,000,000 LifeMark escrowed shares, the number of shares outstanding, including escrowed shares, is 142,077,586; the number of options outstanding is 12,200,000; and, the number of warrants outstanding is 27,794,363. Included in the shares outstanding are 29,106,081 shares held in escrow, or in trust, and are not freely tradable.

(in thousands of dollars, except share amounts)

Summary of Quarterly Results

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal year 2012				
Revenue and other income			$ 114,123	$ 104,253
Adjusted EBITDA			$ 12,478	$ 11,696
Adjusted EBITDA per share				
Basic			$ 0.11	$ 0.11
Diluted			$ 0.10	$ 0.09
Net income (loss)			$ 42,366[8]	$ (4,651)[9]
Earnings (loss) per share				
Basic			$ 0.38	$ (0.04)
Diluted			$ 0.34	$ (0.04)
Fiscal year 2011[10]				
Revenue and other income	$ 77,265	$ 67,096	$ 33,596	$ 23,035
Adjusted EBITDA	$ 6,271	$ 9,698	$ 3,219	$ 2,196
Adjusted EBITDA per share				
Basic	$ 0.07	$ 0.12	$ 0.03	$ 0.03
Diluted	$ 0.06	$ 0.09	$ 0.03	$ 0.03
Net (loss) income	$ (57,555)[11]	$ 38,889[12]	$ 11,722[13]	$ (2,404)[14]
(Loss) income per share				
Basic	$ (0.63)	$ 0.47	$ 0.15	$ (0.03)
Diluted	$ (0.63)	$ 0.37	$ 0.11	$ (0.03)
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	$ 0.03	$ 0.04	$ 0.04	$ 0.03
Diluted	$ 0.02	$ 0.03	$ 0.04	$ 0.03
Net (loss) income	$ (592)[15]	$ 951	$ 1,037	$ 865
(Loss) income per share				
Basic	$ (0.01)	$ 0.02	$ 0.02	$ 0.01
Diluted	$ (0.01)	$ 0.01	$ 0.02	$ 0.01

[8] The net income for the quarter ended June 30, 2012 includes $44,993 as a non-cash gain in net income representing the decrease in fair value of the contingent consideration liability and $2,454 of transaction and restructuring costs related to business acquisitions.
[9] The net loss for the quarter ended March 31, 2012 includes $1,402 as a non-cash charge to net income representing the increase in fair value of the contingent consideration liability and $2,327 of transaction and restructuring costs related to business acquisitions.
10 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.
[11] The net income for the quarter ended December 31, 2011 includes a non-cash gain of $2,562 representing the increase in fair value of the contingent consideration liability, non-cash impairment charges of $52,801 and $3,627 of transaction and restructuring costs related to business acquisitions.
[12] The net income for the quarter ended September 30, 2011 includes a non-cash gain of $39,374 representing the decrease in fair value of the contingent consideration liability and $873 of transaction and restructuring costs related to business acquisitions.
[13] The net income for the quarter ended June 30, 2011 includes a non-cash gain of $14,751 representing the decrease in fair value of the contingent consideration liability and $2,734 of transaction and restructuring costs related to business acquisitions.
[14] The net income for the quarter ended March 31, 2011 includes $1,784 as a non-cash charge to net income representing the increase in fair value of the contingent consideration liability and $947 of transaction and restructuring costs related to business acquisitions.
[15] The net income for the quarter ended December 31, 2010 includes $266 as a non-cash charge to net income representing a change in fair value of the contingent consideration liability and $808 of transaction and restructuring costs related to business acquisitions.

The Company has realized seven consecutive quarters of increased revenue which is illustrative of the overall growth in the business both organically and through acquisitions. The Company's strategy to improve top line growth through 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 240% from the second quarter of 2011 to the second quarter of 2012. The Company 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 on these efforts. The Company's adjusted EBITDA margin improved from 8.1% for the three months ended December 31, 2011 to 11.2% for the three months ended March 31, 2012 and has remained stable around 10.9% for the three months ended June 30, 2012. This improvement is reflective of the right-sizing efforts the Company undertook in the fourth quarter of 2012.

The volatility in net income (loss) in the first two quarters of 2012 and 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 costs have increased proportionally with the size of the acquisitions completed, leading to increased charges against earnings in recent quarters. Transaction and restructuring costs over the past six quarters have been $2,454, $2,327, $3,627, $873, $2,734 and $947. Under previous Canadian GAAP, these costs were allocated to the cost of assets acquired or recorded as deferred charges on the Canadian GAAP balance sheet. These transaction costs are reflective of the Company's significant acquisition activities during 2011 and 2012 and represents approximately 3.9% of the total purchase price for acquisitions.

The Company is required to value the contingent consideration liabilities pursuant to its business combination activities. In the first two quarters of 2012 and throughout 2011, the Company's common share price fluctuated significantly, affecting the quantum at 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, less a discount to account for the shares not being traded in active market until they are released from escrow 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 included in the statement of income. The change in fair value of contingent consideration for the last seven quarters have fluctuated from non-cash gains of $44,993, $1,402, $16,297, $39,374 and $14,751 for the three month periods ended June 30, 2012, March 31, 2012, December 31, 2011, September 30, 2011 and June 30, 2011, respectively, to non-cash losses of $1,784 and $266 for the three months ended March 31, 2011 and December 31, 2010, respectively. The earn-out period for the LifeMark transaction ended at June 30, 2012 and resulted in 40,000,000 escrowed LifeMark shares being cancelled which also impacted on the gain realized in the second quarter of 2012.

The Company's Adjusted EBITDA increased by $5,425 to $11,696 from the fourth quarter of 2011 to the first quarter of 2012 and by $782 to $12,478 from the first to second quarter of 2012. The increase from the fourth quarter of 2011 to the first quarter of 2012 can mainly be attributed to the accretive earnings from Motion Specialties of $1,132 from the date of its acquisition on February 13, 2012 as well as the earnings of Classic Care and Performance Medical Group for a full quarter as these acquisitions took place during the fourth quarter of 2012, ongoing organic growth, and the benefit of cost rationalization plans that were implemented in the third and fourth quarters of 2011. The increase in Adjusted EBITDA from the first quarter to the second quarter of 2012 can be attributed to the results of Motion Specialties being included for a full quarter and the on-going benefit of rationalization plans. While EBITDA did grow between the first and second quarters of 2012, the extent of that growth was not as strong as possible due to the continued shortfall in earnings from the assessments operations and non-recurring costs for audit, recruitment and consulting.

(in thousands of dollars, except share amounts)

Contractual Commitments

The Company's contractual commitments at June 30, 2012, are as follows:

	Total	1 year	2-3 years	4-5 years	Thereafter
Term loan	$ 133,750	$ 13,750	$ 120,000	$ -	$ -
Revolving facility	69,093	-	69,093	-	-
Operating leases	56,709	13,416	18,815	16,580	7,898
Preferred partnership units	65,500	-	-	-	65,500
Interest payments on borrowings	26,835	9,084	17,751	-	-
Finance leases	1,843	1,529	314	-	-
Total	$ 353,730	$ 37,779	$ 225,973	$ 16,580	$ 73,398

The Term Loan and Revolving Facility have been presented above in accordance with the repayment schedules with its lenders.

In addition, the Company has a contractual obligation to pay Alaris annual distributions of $6,750 which increase at a rate of 4% each year. The principal amount grows at 4% annually from the third anniversary from the LifeMark closing on June 9, 2011. Redemption of the preferred partnership units cannot occur until after June 9, 2013, and no determination has been made as to when the preferred partnership units will be redeemed. There is no obligation for the Company to redeem these units.

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

The Company incurs monthly interest payments on its interest swaps. These interest rate swaps are tied to market conditions and as such interest to be paid from the interest rate swap cannot be reasonably determined.

The Company has $5,000 in convertible debt with a related party and $25,888 in convertible debt from public and private offerings which principle and interest the Company can elect to settle in common shares of the Company.

In the normal course of business, the Company enters into significant commitments for the purchase of goods and services, such as the purchase of inventory, most of which are short-term in nature and are settled under normal trade terms.

Off-Balance Sheet Arrangements

As at June 30, 2012, the Company has no off-balance sheet arrangements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

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

The Certifying Officers have concluded that, as at June 30, 2012, the Company's DC&P has been designed effectively to provide reasonable assurance that (a) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted, recorded, processed, summarized and reported within the time periods specified in the securities legislation. The Company has limited the scope of its design of DC&P and ICFR to exclude controls, policies and procedures of DNP, BWC, Classic Care, Performance Medical Group and Motion Specialties which were acquired in the twelve month period ended June 30, 2012. These acquired companies represent approximately 40% of the Company's revenues for the six months ended June 30, 2012.

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

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

There have been no significant changes to the Company's ICFR over the three month period ended June 30, 2012, which has materially affected, or is reasonably likely to materially affect the Company's ICFR. Subsequent to June 30, 2012, the Company put into place an internal audit department which will focus on financial and operational audits throughout the organization.

(in thousands of dollars, except share amounts)

Transactions with Related Parties

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 including Jamon Investments LLC, who own 36,098,976 shares or approximately 20% of the issued and outstanding common shares of the Company as of June 30, 2012. This ownership percentage disclosed assumes issuance of 69,106,081 escrowed shares in the total common shares considered to be outstanding does not consider the cancellation of the 40,000,000 LifeMark escrowed shares which will occur during the third quarter.

A summary of the transactions with related parties, excluding financing transactions discussed below, for the three and six month periods ended June 30, 2012 and 2011, is as follows:

	Three Month Periods ended June 30, $		**Six Month Periods ended June 30, $**	
	2012	2011	**2012**	2011
GHIS fees				
Completion fees	**-**	1,400	**150**	1,704
Advisory fees	**300**	60	**600**	120
Market capitalization fee	**-**	276	**-**	404
Total fees earned by GHIS in the period	**300**	1,736	**750**	2,228
GHIS travel and related expenses	**73**	18	**95**	39
Interest incurred on loans	**122**	141	**197**	301
	495	1,895	**1,042**	2,568

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

Included in trade and other payables at June 30, 2012 and December 31, 2011 are $4,824 and $4,785, respectively, due to GHIS; and $376 and $226, respectively for interest payable to Jamon. The completion fees of $1,400 from the LifeMark acquisition and the financing fee of $2,800 related to specific 2011 financing activities are only due and payable to GHIS when it meets the conditions set out in the Credit Agreement between the Company and its senior lenders.

During the three and six month periods ended June 30, 2012, GHIS exercised 500,000 stock options at a strike price of $0.50 and for proceeds of $250.

At December 31, 2011, GHIS had provided a letter of support to the Company indicating that it will exercise any options or warrants that it holds in the Company or provide alternative funding of similar value, if required, during 2012 in order to assist the Company in managing its liquidity risk. On May 8, 2012, entities controlled by the shareholders of GHIS were participants in a private placement which raised $15,000 which was used to pay down the Company's Term Loan. Of the funds raised $6,838 was raised from entities controlled by the shareholders of GHIS and $2,040 was raised from directors, officers and other members of the Company's management team. On May 10, 2012, the Company notified GHIS that their letter of support was no longer required and was terminated.

Related party loans

The Company has a promissory note with Jamon for $5,000 that bears interest at 6% with a conversion feature of one share per one dollar of principal amount and is due November 9, 2013. In addition to the promissory note, Jamon was issued a warrant to purchase 1,000,000 common shares of the Company at an exercise price of $1.00 per share. The warrant expires on November 9, 2013.

During the three and six month periods ended June 30, 2012, the Company entered into loan agreements with a director and an officer of the Company who were former LifeMark shareholders of $400. These loans bear interest at 3% and are repayable within one year and are included in the Company's trade and other receivables.

Proposed Transactions

As of August 14, 2012, there are no proposed transactions to report other than those listed under Subsequent Events.

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 collectability of receivables, assessment of impairment of goodwill and intangible assets and the recognition of contingent consideration.

Collectability of receivables

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

Goodwill and Intangible Assets Valuation

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

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

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 the indefinite life intangible assets as at June 30, 2012 and December 31, 2011 other than the impairment of its hospital license recognized on transition to IFRS. The Company recognized impairments at December 31, 2011 of a definite life intangible asset related to its acquired prescription files and an impairment of its goodwill related to the LifeMark acquisition. At June 30, 2012, the Company completed its quarterly assessment of impairment indicators. As part of this assessment, the Company considered its market capitalization as compared to the carrying value of the Company both including and excluding the 40,000,000 in LifeMark escrowed shares. Based on a review of indicators and other factors, the Company determined that there was no impairment of goodwill or definite life intangible assets at June 30, 2012.

Recognition of Contingent Consideration

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

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

Subsequent changes in fair value between reporting periods are included in the determination of net income. Changes in fair value arise as a result of changes in the Company's share price which is discounted to reflect that the shares are not freely tradable until they are released from escrow and changes in the estimated probability of achieving the earnings targets. Shares issued or released from escrow in final settlement of contingent consideration are recognized at their fair value at the time of issue with a corresponding reduction in the contingent consideration liability.

Accounting Changes

The Company did not adopt any changes in accounting policies for the three and six month periods ended June 30, 2012. The Company's accounting policies are disclosed in note 4 of the annual consolidated financial statements for the years ended December 31, 2011 and 2010.

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 tariff decisions play a key role. Changes in regulation and tariff structures related to third party disability management services, or their interpretation and application, could adversely affect the business, financial condition and results of operation of the Company.

Insurance legislation changes enacted on September 1, 2010, affected the business as the assessments segment operates within the regulatory jurisdiction of these legislative changes. Auto insurance guidelines for accident benefit claims have changed and fees for independent medical assessments and rehabilitative treatments are now capped. This change may negatively affect the future financial results of this segment. To mitigate any negative impact, the assessment segment has expended resources to diversify offerings and expand its customer base to best capture the optimal sales mix in the marketplace.

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

Credit Risk and Economic Dependence

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

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

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

Shortage of Healthcare Professionals

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

Exposure to Epidemic or Pandemic Outbreak

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

Confidentiality of Personal and Health Information

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

Information Technology Systems

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

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

Key Personnel

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

Litigation and Insurance

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

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

Internal Control over Financial Reporting and Disclosure Controls and Procedures

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

Capital Investment

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

Dilution

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

Uncertainty of Liquidity and Capital Requirements

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

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

Unpredictability and Volatility of Share Price

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

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

Significant Shareholders

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

Litigation

From time to time the Company is involved in litigation, investigations or proceedings related to claims arising out of its operations in the ordinary course of business. In the opinion of the Company, these claims and lawsuits in the aggregate, when settled are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Subsequent Events

On July 23, 2012, the Company announced the appointment of David Cutler as President, Chief Executive Officer and a member of the Board of Directors of the Company effective September 3, 2012.

Subsequent to June 30, 2012, the Company agreed to issue 6,875,000 of the LifeMark escrowed shares to the LifeMark vendors as LifeMark achieved certain performance metrics as specified in the purchase agreement for this transaction. The remaining 40,000,000 LifeMark escrowed shares will be cancelled.

Additional Information

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

Condensed Unaudited Interim Consolidated Financial Statements
For the Three and Six Month Periods Ended June 30, 2012 and 2011

(in thousands of Canadian dollars)

Dated: August 14, 2012

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

	June 30, 2012 $	December 31, 2011 $
Assets		
Current assets		
Cash and cash equivalents	**3,498**	407
Trade and other receivables	**59,965**	40,495
Prepaid expenses and deposit	**2,533**	2,244
Inventories (note 6)	**23,308**	5,257
	89,304	48,403
Non-current assets		
Property and equipment (note 9)	**26,417**	21,214
Goodwill and intangible assets (note 10)	**382,758**	361,485
Deferred income tax assets (note 14)	**6,811**	4,408
Loans receivable (note 5)	**841**	973
Investments in franchisees (note 5)	**208**	208
Total assets	**506,339**	436,691
Liabilities		
Current liabilities		
Trade payables and other amounts (notes 16 and 17)	**56,485**	44,760
Current portion of borrowings (note 11)	**13,750**	175,911
Current portion of finance lease liabilities (note 13)	**1,529**	2,068
Current portion of contingent consideration (note 8)	**15,483**	63,009
Income taxes payable (note 14)	**1,704**	1,801
	88,951	287,549
Non-current liabilities		
Borrowings (note 11)	**201,370**	8,841
Preferred partnership units (note 12)	**65,500**	65,500
Contingent consideration (note 8)	**13,930**	5,840
Finance lease liabilities (note 13)	**314**	279
Deferred income tax liabilities (note 14)	**2,537**	4,894
Deferred lease inducement	**547**	358
Derivative financial instruments (note 11)	**1,341**	1,812
Total liabilities	**374,490**	375,073
Equity		
Share capital (note 18)	**85,252**	62,122
Warrants	**5,989**	4,329
Contributed surplus	**5,852**	4,259
Equity portion of convertible borrowings	**8,955**	2,738
Accumulated other comprehensive income (loss)	**241**	(73)
Retained earnings (deficit)	**25,352**	(12,238)
Equity attributable to shareholders of Centric Health Corporation	**131,641**	61,137
Non-controlling interests	**208**	481
Total equity	**131,849**	61,618
Total liabilities and equity	**506,339**	436,691

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

Centric Health Corporation
Unaudited Interim Consolidated Statements of Income

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

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2012 **$**	2011 $	**2012** **$**	2011 $
Revenue	**114,123**	33,596	**218,376**	56,631
Cost of healthcare services and supplies	**56,401**	18,712	**109,809**	32,750
Employee costs	**25,329**	5,521	**46,808**	8,862
Other operating expenses	**15,777**	4,221	**29,345**	6,070
Corporate office expenses	**4,138**	1,923	**8,240**	3,533
Depreciation and amortization	**6,319**	587	**12,552**	1,035
Income from operations	**6,159**	2,632	**11,622**	4,381
Stock-based compensation expense	**538**	562	**1,686**	977
Interest expense (note 15)	**5,584**	1,739	**10,654**	2,375
Change in fair value of interest rate swaps (note 11)	**(5)**	-	**(157)**	-
Loss on disposal of property and equipment	**-**	-	**44**	-
Transaction and restructuring costs (note 7)	**2,454**	2,734	**4,781**	3,681
Decrease in fair value of contingent consideration liability (note 8)	**(44,993)**	(14,751)	**(43,591)**	(8,246)
Income before income taxes	**42,581**	12,348	**38,205**	5,594
Income tax expense (note 14)	**215**	626	**490**	996
Net income	**42,366**	11,722	**37,715**	4,598
Net income attributable to:				
Shareholders of Centric Health Corporation	**42,326**	11,722	**37,590**	4,598
Non-controlling interests	**40**	-	**125**	-
Basic earnings per common share	**$0.38**	$0.15	**$0.35**	$0.06
Diluted earnings per common share	**$0.34**	$0.11	**$0.29**	$0.05
Weighted average number of common shares outstanding (in thousands) (note 18)				
Basic	**112,370**	80,525	**109,123**	**74,298**
Diluted	**126,288**	102,746	**131,505**	**95,388**

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

Centric Health Corporation
Unaudited Interim Consolidated Statements of Comprehensive Income
(in thousands of Canadian dollars)

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Net income	**42,366**	11,722	**37,715**	4,598
Decrease (increase) in fair value of interest rate swaps designated as hedges (note 11)	**807**	44	**(314)**	61
Comprehensive income	**41,559**	11,678	**38,029**	4,537
Comprehensive income attributable to:				
Shareholders of Centric Health Corporation	41,519	11,678	37,904	4,537
Non-controlling interests	40	-	125	-

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

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

	Number of shares	Amount $	Warrants $	Contributed surplus $	Equity portion of convertible borrowings $	AOCI* $	Retained earnings (Deficit) $	Equity attributable to the shareholders of Centric Health Corporation $	Non-controlling interest $	Total $
Balance at December 31, 2010	**62,090,095**	**9,240**	**3,246**	**1,839**	**1,444**	**(61)**	**4,969**	**20,677**	**-**	**20,677**
Options exercised	612,500	382	-	(160)	-	-	-	222	-	222
Private placement	17,940,000	20,092	321	-	-	-	-	20,413	-	20,413
Amortization of deferred loss on interest rate swap	-	-	-	-	-	61	-	61	-	61
Deferred compensation expense	-	90	-	887	-	-	-	977	-	977
Net income for the period	-	-	-	-	-	-	4,598	4,598	-	4,598
Balance at June 30, 2011	**80,642,595**	**29,804**	**3,567**	**2,566**	**1,444**	**-**	**9,567**	**46,948**	**-**	**46,948**
Balance at December 31, 2011	**98,220,254**	**62,122**	**4,329**	**4,259**	**2,738**	**(73)**	**(12,238)**	**61,137**	**481**	**61,618**
Options exercised	587,500	432	-	(151)	-	-	-	281	-	281
Offerings	463,163	411	1,660	-	6,217	-	-	8,288	-	8,288
Shares issued on acquisition	3,597,632	6,140	-	-	-	-	-	6,140	-	6,140
Shares released from the escrow	10,127,956	16,205	-	-	-	-	-	16,205	-	16,205
Issuance of common shares	450,000	482	-	(482)	-	-	-	-	-	-
Change in fair value of interest rate swaps	-	-	-	-	-	314	-	314	-	314
Deferred compensation expensed in the period	(600,000)	(540)	-	2,226	-	-	-	1,686	-	1,686
Non-controlling interest purchase price allocation adjustment	-	-	-	-	-	-	-	-	(398)	(398)
Net income for the period	-	-	-	-	-	-	37,590	37,590	125	37,715
Balance at June 30, 2012	**112,846,505[1]**	**85,252**	**5,989**	**5,852**	**8,955**	**241**	**25,352**	**131,641**	**208**	**131,849**

*AOCI – Accumulated other comprehensive income (loss)

[1] Excludes 68,106,081 of contingent shares in escrow (note 18).

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

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

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2012	2011	**2012**	2011
	$	$	**$**	$
Cash provided by (used in):				
Operating activities				
Net income for the period	**42,366**	11,722	**37,715**	4,598
Adjustments for:				
Interest expense	**5,584**	1,695	**10,654**	2,314
Change in fair value of interest rate swaps	**(5)**	-	**(157)**	-
Amortization of deferred loss on interest rate swap	**-**	44	**-**	61
Loss on disposal of property and equipment	**-**	-	**44**	-
Depreciation of property and equipment	**1,743**	487	**3,364**	815
Amortization of finite-life intangible assets	**4,576**	100	**9,188**	220
Leasehold inducement	**55**	(6)	**189**	(12)
Income taxes paid	**(1,511)**	(1,091)	**(4,233)**	(1,311)
Income tax expense	**215**	626	**490**	996
Stock-based compensation expense	**538**	562	**1,686**	977
Change in the fair value of contingent consideration liability	**(44,993)**	(14,751)	**(43,591)**	(8,246)
Net change in non-cash working capital items (note 22)	**(565)**	173	**(18,249)**	(2,672)
Cash provided by (used in) operating activities	**8,003**	(439)	**(2,900)**	(2,260)
Investing activities				
Loan advances	**-**	(28)	**-**	(338)
Deposit	**-**	(924)	**-**	342
Purchase of intangible assets	**(15)**	(16)	**(248)**	(187)
Purchase of property and equipment	**(2,275)**	(973)	**(3,733)**	(1,278)
Acquisition of businesses (note 7)	**(114)**	(83,200)	**(17,649)**	(91,662)
Payment of contingent consideration (note 8)	**(851)**	-	**(1,197)**	-
Decrease (increase) in loans receivable from franchisees	**88**	(285)	**132**	(285)
Cash used in investing activities	**(3,167)**	(85,426)	**(22,695)**	(93,408)
Financing activities				
Interest paid	**(4,946)**	(416)	**(9,509)**	(582)
Repayment of borrowings	**(18,125)**	(49,896)	**(21,250)**	(64,868)
Proceeds from revolver, net of loan arrangement costs	**6,471**	132,312	**42,205**	132,312
Repayment of finance leases	**(381)**	(304)	**(742)**	(655)
Issuance of common shares and warrants and convertible debt, net of issuance costs	**15,237**	68	**17,982**	20,251
Cash provided by financing activities	**(1,744)**	81,764	**28,686**	86,458
Increase (decrease) in cash and cash equivalents	**3,092**	(4,101)	**3,091**	(9,210)
Cash and cash equivalents, beginning of period	**406**	4,101	**407**	9,210
Cash and cash equivalents, end of period	**3,498**	-	**3,498**	-

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

1. General

Centric Health Corporation and its subsidiaries (collectively, "Centric Health", or, "the Company") are incorporated under the *Canada Business Corporations Act*. The Company is listed on the Toronto Stock Exchange and is incorporated and domiciled in Canada. The Company's principal business is providing healthcare services to its patients and customers in Canada. The address of the Company's registered office is 20 Eglinton Avenue West, Suite 2100, Toronto, Ontario.

2. Basis of Preparation

These condensed unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2012 and 2011 have been prepared by management in accordance with IAS 34, *Interim Financial Reporting* as outlined by Canadian generally accepted accounting principles ("GAAP"), as set out in Part I of the Handbook of The Canadian Institute of Chartered Accountants ("CICA Handbook"). The condensed unaudited interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were approved by the Board of Directors on August 14, 2012.

3. Significant Accounting Policies

The accounting policies applied in these condensed unaudited interim consolidated financial statements are consistent with the significant accounting policies used in the preparation of the annual consolidated financial statements for the year ended December 31, 2011. These policies have been consistently applied to all periods presented, unless otherwise stated. Income taxes for the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The impact of new standards, amendments to standards and interpretations that have been issued but are not effective for financial periods beginning on or after January 1, 2012 and have not been early adopted are discussed in the Company's annual financial statements for the year ended December 31, 2011, except for:

IFRS 7, Financial Instruments: Disclosures ("IFRS 7")
IFRS 7 has been amended to establish disclosure requirements to help users better assess the effect or potential effect of offsetting arrangements on a company's financial position. These amendments are effective for annual periods beginning on or after January 1, 2013. The Company will adopt this amended standard when it becomes effective. The Company has currently not assessed the impact of adopting this amended standard.

IAS 32, Financial Instruments: Presentation ("IAS 32")
IAS 32 has been amended to clarify the application of offsetting requirements of financial assets and financial liabilities. The amendments to IAS 32 must be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company has currently not assessed the impact of adopting this amended standard.

(in thousands of Canadian dollars)

4. Capital Management and Financing

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support the continuation and expansion of its operations. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include share capital, warrants and the stock option component of its shareholders' equity as well as its term and revolving credit facilities, convertible debt, LifeMark preferred partnership units and contingent consideration. In addition to the cash flow generated by operations, the Company relies on debt and equity financing from both arm's length and related parties to execute on its stated business strategy.

The Company forecasts cash flows for its current and subsequent fiscal years to project future financial requirements. The Company has taken actions to reduce its senior debt levels through improved excess cash flow and additional financing. In anticipation of changes in capital requirements, on October 21, 2011, a base shelf prospectus was filed by the Company. The base shelf prospectus provides for the Company to raise additional capital through the issuance of up to $265,500 in convertible debt securities, common shares and share purchase warrants. The Company completed a prospectus supplement under this base shelf prospectus with a first closing in December 2011 and a second closing in February 2012. Through this offering, the Company raised gross proceeds of $13,610 through the sale of units as described in note 18. On May 8, 2012, the Company completed a private placement of $15,000 of subordinated, unsecured convertible notes which is described further in note 18 which the Company used to pay down its Term Loan.

Longer-term capital requirements will depend on many factors including the number and size of future acquisitions, 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 anticipates that, based on meeting its approved 2012 operating budget, working capital management initiatives, and other financing opportunities it will generate sufficient cash flows to meets its obligations as they come due. The Company has excess capacity in its Revolving Facility and can raise proceeds through public and private offerings in order to finance acquisitions and on-going operations.

The Company is subject to certain financial performance covenants as part of its banking agreement. On May 10, 2012, these covenants were amended based on the Company's forecasted budget and provides the Company with greater financing flexibility on a go forward basis. The Company was in compliance with these financial performance covenants at June 30, 2012. The Company expects to be in compliance with its financial performance covenants for the balance of 2012 and subsequent periods. At June 30, 2012, the Company's Term Loan and Revolving Facility balances are presented as long-term liabilities except for any amounts with are scheduled to be repaid by the Company within the next twelve months.

5. Loans Receivable and Investments in Franchisees

The Company's loans receivable balance consists of the following:

	June 30, 2012	December 31, 2011
	$	$
Loan to PrevCan Inc.	**100**	100
Loans to franchisees	**741**	873
	841	973

(in thousands of Canadian dollars)

5. Loans Receivable and Investments in Franchisees – continued

PrevCan Inc.

During the three and six months ended June 30, 2012, there have been no changes with regards to the Company's loan arrangement with PrevCan Inc.

Franchisees

Loans receivable from franchisees of $741 (December 31, 2011 - $873) are related to the MEDIchair Ltd. ("MEDIchair") home medical equipment operations. MEDIchair has various loan agreements with its franchisees. These loans have negotiated repayment terms from 1 to 4 years and interest rates of approximately 2% per month. The majority of these loans are secured by personal guarantees over the franchisees' assets.

The Company has investments in three franchisees. The fair value of the acquired interests in these franchisees is $208 (December 31, 2011 - $208). These franchisees had no earnings attributable to the Company for the three and six month periods ended June 30, 2012.

6. Inventories

The Company's inventory balances as at June 30, 2012 and December 31, 2011 consisted of the following:

	June 30, 2012 $	December 31, 2011 $
Medical supplies and prescription drugs	**4,345**	3,946
Retail and home medical equipment	**18,963**	1,311
	23,308	5,257

There were no provisions for the impairment of inventory or reversal of inventory provisions for the three and six month periods ended June 30, 2012 and 2011. Inventories are pledged as security as part of the Company's lending agreements as outlined in note 11.

7. Business Combinations

Motion Specialties

On February 13, 2012, the Company acquired 100% of the shares of Motion Specialties Inc. ("Motion Specialties"). Motion Specialties has 24 locations across Canada and is a leading home health care provider offering a wide range of mobility devices, including: wheelchairs, scooters, walkers, bathroom safety equipment, portable oxygen, Continuous Positive Airway Pressure ("CPAP") machines, and home accessibility products such as stair lifts and home elevators. The consideration for the acquisition of Motion Specialties included cash, common shares and share purchase warrants, elements of which are subject to Motion Specialties achieving certain performance targets. The total consideration paid for Motion Specialties is based on a three-year performance based formula. The Company paid $14,875 in cash and issued 3,495,359 common shares to the vendors of Motion Specialties at the time of acquisition.

(in thousands of Canadian dollars)

7. Business Combinations – continued

Cash consideration has been reduced for a preliminary working capital adjustment of $334 which is expected to be paid by the vendors of Motion Specialties. The release to the vendors of up to $15,000 in contingent cash and 9,004,641 common shares of the Company will be over time subject to the acquired business achieving certain performance targets. The 9,004,641 contingent common shares are held in escrow. The Company will also issue warrants to the vendors to purchase up to 7,500,000 common shares of the Company based on achieving certain financial performance targets. The warrants will have a two-year term from the date on which they vest and become exercisable.

No recorded goodwill has been added to the Company's cumulative eligible capital ("CEC") pool for tax purposes.

Motion Specialties has revenues of $36,527 and income from operations of $2,312 which have been included in the Company's consolidated financial statements from the date of acquisition to June 30, 2012.

Other Acquisitions

During the six months ended June 30, 2012, the Company completed the acquisition of five physiotherapy clinic operations. The Company paid aggregate cash consideration of $2,727, common shares of 102,273 representing consideration of $163 and certain of these agreements include contingent cash and/or contingent share considerations based on the acquired entity achieving specified financial performance targets. There are 587,500 shares held in escrow as a result of these acquisitions.

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

Purchase price	**Motion Specialties** $	**Physiotherapy Clinics** $	**Total** $
Cash consideration	14,541	2,727	17,268
Common shares	5,977	163	6,140
Contingent consideration	19,954	1,603	21,557
	40,472	**4,493**	**44,965**

Fair value of net assets acquired	**Motion Specialties** $	**Physiotherapy Clinics** $	**Total** $
Current assets	36,985	566	37,551
Property and equipment	4,379	311	4,690
Goodwill	24,297	3,865	28,162
Deferred tax (liabilities)	(24)	-	(24)
Other non-current assets	-	21	21
Less: liabilities assumed	25,165	270	25,435
	40,472	**4,493**	**44,965**

(in thousands of Canadian dollars)

7. Business Combinations – continued

Included in current assets for Motion Specialties are accounts receivable of $19,983 and inventory of $16,832.

The fair value of contingent consideration of $19,954 is the estimated fair value of the consideration to be earned at the time of the closing of these acquisitions. The contingent consideration has been calculated using the quoted market price of the Company's common shares which are discounted to reflect that they are not freely tradable until they are released from escrow and the estimated future earnings of the acquired company. Factors reviewed in the assessment of the fair value of contingent consideration include; the length of time the performance is to be measured and the probability of achieving earnings targets.

Transaction and restructuring costs

Transaction and restructuring costs incurred, including legal, consulting and due diligence fees, directly related to business combinations as well as severance costs, are expensed as incurred. Restructuring costs for the three and six months ended June 30, 2012 includes costs associated with the departure of the Company's former CEO and costs associated with closed assessment centers and clinic locations. During the three and six month period ended June 30, 2012, transaction and restructuring costs were $2,454 and $4,781 (2011 - $2,734 and $3,681).

Annualized performance of acquisitions

The following table illustrates the impact on revenue and income from operations as if all business combinations had taken place on January 1, 2012:

Period ended June 30, 2012	**Transaction effective date**	**Revenue $**	**Income from operations $**
As reported		218,376	11,172
Motion Specialties	February 13, 2012	9,585	243
Physiotherapy clinics	Various	152	16
Annualized Total		228,113	11,431

The data above was gathered from due diligence and closing statements as received in the process of completing the transactions.

7. Business Combinations - continued

2011 Acquisitions

Performance

On December 8, 2011, the Company completed the acquisition of 75% of the shares of Performance Medical Group ("Performance"). Performance operates clinics mainly in Ontario providing custom orthotics, custom bracing, and laser and shockwave therapy.

The purchase price of $5,856 includes $3,000 in cash paid upon closing and the estimated value of contingent consideration of $2,856. Contingent consideration includes the issuance of 3,000,000 common shares of the Company which are being held in escrow subject to Performance achieving certain performance targets. Contingent consideration also includes the issuance of 2,000,000 share purchase warrants at a price of $2.33 subject to Performance 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.

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

Classic Care

On November 17, 2011, the Company completed the acquisition of 100% of the shares of Classic Care Pharmacy Corporation ("Classic Care"). Classic Care provides pharmaceutical, dispensing, delivery and consulting services to long-term care homes and retirement residences.

The purchase price of $49,237 includes $24,856 in cash, the issuance of 11,240,375 common shares valued at $20,607 to be released from escrow over a one and a half year period and the estimated value of contingent consideration of $3,774. The contingent consideration includes 2,810,094 common shares of the Company which are being held in escrow subject to Classic Care achieving certain financial performance targets. In addition, 5,000,000 warrants were issued at a price of $1.78 and vest on an accrued basis based upon Classic Care exceeding certain performance targets. The warrants have a three-year term from the date on which they vest, subject to outperformance of the total performance target.

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

Blue Water

On August 17, 2011, the Company completed the acquisition of substantially all of the assets and businesses of Blue Water Rejuvenation Institute Inc., Blue Water Diagnostics Ltd. and Windsor Endoscopy Centre Ltd. (collectively "Blue Water") and 75% of the outstanding shares of London Scoping Centre ("LSC"), which were collectively owned by the same vendor.

Blue Water owns and operates three surgical and endoscopy facilities located in Sarnia and Windsor, Ontario. The purchase price of $10,421 includes $7,500 in cash paid upon closing, $175 holdback amount, and the estimated value of contingent consideration of $2,746 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 of $1.30 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.

7. Business Combinations - continued

The entire amount of recorded goodwill and intangible assets has been added to the Company's CEC pool for tax purposes.

LSC

On August 17, 2011, the Company completed the acquisition of 75% of the issued and outstanding shares of LSC for cash and additional share-based contingent consideration. LSC is located in London, Ontario, in a newly constructed leased facility offering a modern, high-tech outpatient clinic which provides a range of scoping procedures.

The purchase price of $1,283 includes $500 in cash paid upon closing, and the estimated value of contingent consideration of $306 representing the issuance of up to 1,050,000 common shares of the Company, comprised of 675,000 common shares and warrants to purchase up to 375,000 common shares at a price of $1.30 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.

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

DNP

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"). DNP operates a network of specialty and niche pharmacies.

The purchase price of $9,597 includes $9,157 in cash paid upon closing, and 200,000 common shares issued at a value of $440.

The value ascribed for the Company's space licence agreement has been added to the Company's capital cost allowance pool for tax purposes.

LifeMark

On June 9, 2011, the Company completed the acquisition of 100% of the residual limited partnership units of LifeMark. LifeMark operates approximately 104 physiotherapy clinics, 5 assessment clinics, one surgical centre (Calgary, Alberta), has franchise rights over 66 home medical equipment retail locations ("MEDIchair") across Canada and operates 4 MEDIchair stores.

The purchase price of $190,062 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 $106,862 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. In addition, the vendors of LifeMark can earn contingent consideration based on the outperformance of EBITDA targets for acquisitions which LifeMark was in the process of negotiating at the time of its acquisition and were actually completed within a designated period after the acquisition of LifeMark by the Company. Subsequent to June 30, 2012, the Company agreed to release 6,875,000 of the LifeMark escrowed shares to the LifeMark vendors as LifeMark achieved certain performance metrics as specified

7. Business Combinations – continued

in the purchase agreement for this transaction. The remaining 40,000,000 LifeMark escrowed shares will be cancelled. Included in the liabilities assumed on completion of the acquisition is preferred partnership units held by Alaris Income Growth Fund Partnership ("Alaris") of $65,500, which are further described in note 12 to these condensed unaudited interim consolidated financial statements.

No recorded goodwill has been added to the Company's CEC pool for tax purposes. Certain amounts related to intangible assets acquired in this transaction have been added to the Company's CEC for tax purposes.

SSI

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 $18,983 includes $8,150 in cash paid upon closing, $678 in cash paid for a net debt adjustment, a holdback of $250 and the estimated value of contingent consideration of $9,905. The balance of the purchase price was to be paid by the issuance of up to 11,827,956 shares of the Company at a price of $1.10 based on SSI achieving certain predetermined earnings targets for the year ended December 31, 2011. SSI achieved certain performance targets as specified in the agreement for this transaction. As a result, on February 28, 2012, the Company issued 10,127,956 shares to the SSI vendors. The remaining 1,700,000 shares held in escrow for the vendors of SSI were cancelled and no share purchase warrants were issued to the vendors of SSI.

No recorded goodwill or intangible assets have been added to the Company's CEC pool for tax purposes.

(in thousands of Canadian dollars)

7. Business Combinations - continued

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

Purchase price	**SSI** $	**LifeMark** $	**DNP** $	**Blue Water** $	**LSC** $	**Classic Care** $	**Performance** $	**Other** $	**Total** $
Cash consideration	8,828	18,200	9,157	7,500	500	24,856	3,000	1,103	73,144
Common shares	-	-	440	-	-	20,607	-	-	21,047
Contingent consideration	9,905	106,862	-	2,746	306	3,774	2,856	117	126,566
Holdback amount	250	-	-	175	-	-	-	-	425
Non-controlling interest	-	-	-	-	69	-	10	-	79
Cash paid to Alaris to redeem preferred partnership units	-	65,000	-	-	-	-	-	-	65,000
	18,983	**190,062**	**9,597**	**10,421**	**875**	**49,237**	**5,866**	**1,220**	**286,261**

Fair value of net assets acquired	**SSI** $	**LifeMark** $	**DNP** $	**Blue Water** $	**LSC** $	**Classic Care** $	**Performance** $	**Other** $	**Total** $
Current assets	1,171	27,072	726	114	196	7,803	289	635	38,006
Property and equipment	4,333	9,803	1,742	855	386	1,427	24	160	18,730
Goodwill	12,984	195,797	-	7,843	600	46,379	5,755	249	269,614
Intangibles	9,038	108,960	7,129	2,230	-	-	-	310	127,667
Deferred tax (liabilities) assets	(1,352)	(4,193)	-	66	19	103	-	-	(5,357)
Other non-current assets	-	1,582	-	-	-	-	-	-	1,582
Less: liabilities assumed	7,191	149,959	-	687	326	6,475	209	134	163,981
	18,983	**190,062**	**9,597**	**10,421**	**875**	**49,237**	**5,866**	**1,220**	**286,261**

The fair value of the contingent consideration of $9,905 for SSI, $2,746 for Blue Water, $306 for LSC, $3,774 for Classic Care and $2,856 for Performance is the estimated fair value of the consideration to be earned at the time of the closing of these acquisitions. The contingent consideration has been calculated using the quoted market price of the Company's common shares which are discounted to reflect that they are not freely tradable until they are released from escrow and the estimated future earnings of the acquired company.

(in thousands of Canadian dollars)

7. Business Combinations - continued

The fair value of the contingent consideration liability of $106,862 for LifeMark at the date of acquisition (including the effect of LifeMark closed acquisitions) was determined based on estimates of expected LifeMark earnings for the period ending June 30, 2012 and by using the closing quoted market price of the Company's common shares on the date of acquisition which is discounted to reflect that the shares are not freely tradable until they are released from escrow. Subsequent to June 30, 2012, the Company agreed to release 6,875,000 of the LifeMark escrowed shares to the LifeMark vendors as LifeMark achieved certain performance metrics as specified in the purchase agreement for this transaction. The remaining 40,000,000 LifeMark escrowed shares will be cancelled.

The purchase price allocation for SSI and LifeMark are final. The purchase price allocation for DNP, Blue Water and LSC, is near completion but not yet final. Estimated values for the majority of working capital amounts and tangible and intangible assets have been identified. The purchase price for Classic Care, Performance and Motion Specialties are preliminary in nature as any finite-life intangible assets that may have been acquired by the Company are yet to be identified. The Company has identified the majority of tangible asset and liabilities assumed for these acquisitions. During the six month period ended June 30, 2012, the Company recorded adjustments of $2,051 to goodwill for 2011 acquisitions in finalizing purchase price allocations. Of these adjustments $2,449 were related to working capital adjustments for LifeMark, Classic Care and Performance offset by $398 related to the valuation of minority interest for LSC and Performance.

Contingent consideration

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

Acquired entity	Acquisition date	Performance term	Contingent Cash Consideration $	Issuable common shares	Issuable outperformance warrants*	Amount recognized at acquisition date $	Range of value of contingent consideration $	Contingent consideration liability at June 30, 2012 $
LifeMark	June 9, 2011	1 year	-	46,875,000	-	106,862	5,156**	5,156
Blue Water	Aug. 17, 2011	3 years	-	6,153,846	3,076,923	2,746	0 – 3,763	1,956
Classic Care	Nov. 17, 2011	1 – 1.5 years	-	2,810,094	5,000,000	3,774	0 – 2,002	2,002
Performance	Dec. 8, 2011	2 years	-	3,000,000	2,000,000	2,856	0 – 2,166	1,436
Motion Specialties	Feb. 13, 2012	3 years	15,000	9,004,641	7,500,000	19,954	0 – 19,105	15,515
Other	Various	3 years	373	4,387,760	2,035,934	2,503	0 – 4,261	3,348
Total			**15,373**	**72,231,341**	**19,612,857**	**138,695**	**5,156 – 36,453**	**29,413**

* The issuable outperformance warrants will only be issued to the vendors of the transaction to the extent that the acquired business outperforms their warranted EBITDA as established in the respective transaction agreements.

** The fair value of the LifeMark contingent consideration at June 30, 2012 reflects the agreement to release 6,875,000 LifeMark shares from escrow to the vendors of LifeMark and the remaining 40,000,000 LifeMark escrowed shares being cancelled.

(in thousands of Canadian dollars)

7. Business Combinations - continued

Contingent consideration is valued using the share price of the Company's common shares on the date of acquisition, less a discount to reflect that the shares are not freely tradable until they are released from escrow and are 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 $36,453 based on the share price of the Company's common shares on June 30, 2012 ($0.75 per share).

8. Contingent Consideration

Share-based contingent consideration consisting of the Company's shares and warrants to be released from escrow or issued based on the acquired businesses achieving predetermined earnings targets is estimated at the date of acquisition taking into consideration the quoted market prices of the Company's common shares at the dates of acquisition discounted to reflect that the shares are not freely tradable until they are released from escrow 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 cash, shares and warrants:

	SSI $	LifeMark $	Blue Water $	Classic Care $	Performance $	Motion Specialties $	Other $	Total $
Balance at December 31, 2011	16,103	37,693	3,317	3,616	2,620	-	5,500	68,849
Fair value at date of acquisition	-	-	-	-	-	19,954	1,603	21,557
Change in fair value during the period	102	(32,537)	(1,361)	(1,614)	(1,184)	(4,439)	(2,558)	(43,591)
Contingent consideration settled in shares	(16,205)	-	-	-	-	-	-	(16,205)
Contingent consideration settled in cash	-	-	-	-	-	-	(1,197)	(1,197)
Total contingent consideration	**-**	**5,156**	**1,956**	**2,002**	1,436	**15,515**	**3,348**	**29,413**
Less: Current portion	**-**	**5,156**	**652**	**2,002**	718	**5,172**	**1,783**	**15,483**
Non-current portion at June 30, 2012	**-**	**-**	**1,304**	**-**	718	**10,343**	**1,565**	**13,930**

The above table includes contingent consideration payable in cash in the amount of $13,628 at June 30, 2012 of which $5,298 is payable within one year.

(in thousands of Canadian dollars)

9. Property and Equipment

	Office furniture, fixtures and equipment $	Computer equipment $	Medical and physiotherapy equipment $	Leasehold improvements $	Total $
Period ended June 30, 2011					
Opening net carrying value	233	357	370	489	1,449
Additions	119	65	252	842	1,278
Acquisitions	1,651	697	5,514	6,274	14,136
Depreciation for the period	(38)	(71)	(478)	(228)	(815)
Closing net carrying value	**1,965**	**1,048**	**5,658**	**7,377**	**16,048**
As at June 30, 2011					
Cost	3,777	2,040	6,655	7,645	20,117
Accumulated depreciation	(1,812)	(992)	(997)	(268)	(4,069)
Net carrying value	**1,965**	**1,048**	**5,658**	**7,377**	**16,048**
As at December 31, 2011					
Cost	6,050	4,071	7,678	9,772	27,571
Accumulated depreciation	(2,192)	(1,200)	(1,302)	(1,663)	(6,357)
Net carrying value	**3,858**	**2,871**	**6,376**	**8,109**	**21,214**
Period ended June 30, 2012					
Opening net carrying value	3,858	2,871	6,376	8,109	21,214
Additions	186	981	1,151	1,415	3,733
Finance leases	-	-	188	-	188
Acquisitions	1,505	1,032	757	1,396	4,690
Disposals	(16)	-	-	(28)	(44)
Depreciation for the period	(563)	(673)	(1,016)	(1,112)	(3,364)
Closing net carrying value	**4,970**	**4,211**	**7,456**	**9,780**	**26,417**
As at June 30, 2012					
Cost	7,741	6,084	9,774	12,583	36,182
Accumulated depreciation	(2,771)	(1,873)	(2,318)	(2,803)	(9,765)
Net carrying value	**4,970**	**4,211**	**7,456**	**9,780**	**26,417**

(in thousands of Canadian dollars)

10. Goodwill and Intangible Assets

	Goodwill $	Licences $	Contracts $	Non-compete contracts $	Computer software $	Franchise rights $	Customer & physician relationships $	Trademark $	Total $
Period ended June 30, 2011									
Opening net carrying value	20,454	1,026	4,396	-	1,436	-	**2,145**	-	29,457
Additions		-	-	-	187	-	-	-	187
Acquisitions	343,816	-	-	-	-	-	310	-	344,126
Amortization charge	-	-	-	-	(110)	-	(110)	-	(220)
Impairment	-	-	-	-	-	-	-	-	-
Closing net carrying value	**364,270**	**1,026**	**4,396**	**-**	**1,513**	**-**	**2,345**	**-**	**373,550**
As at June 30, 2011									
Cost	364,270	1,397	4,396	-	1,978	-	2,510	-	374,551
Accumulated amortization and impairment	–	(371)	–	-	(465)	-	(165)	-	(1,001)
Net carrying value	**364,270**	**1,026**	**4,396**	**-**	**1,513**	**-**	**2,345**		**373,550**
As at December 31, 2011									
Cost	286,865	8,836	14,164	955	4,283	6,860	57,320	45,325	424,608
Accumulated amortization and impairment	(50,000)	(638)	(688)	(266)	(790)	(186)	(7,469)	(3,086)	(63,123)
Net carrying value	**236,865**	**8,198**	**13,476**	**689**	**3,493**	**6,674**	**49,851**	**42,239**	**361,485**
Period ended June 30, 2012									
Opening net carrying value	236,865	8,198	13,476	689	3,493	6,674	49,851	42,239	361,485
Additions	-	-	-	-	248	-	-	-	248
Acquisitions	28,162	-	-	-	-	-	-	-	28,162
Purchase price allocation adjustment	2,051	-	-	-	-	-	-	-	2,051
Amortization charge	-	(356)	(321)	(220)	(315)	(171)	(5,572)	(2,233)	(9,188)
Closing net carrying value	**267,078**	**7,842**	**13,155**	**469**	**3,426**	**6,503**	**44,279**	**40,006**	**382,758**
As at June 30, 2012									
Cost	317,078	8,836	14,164	955	4,531	6,860	57,320	45,325	455,070
Accumulated amortization and impairment	(50,000)	(994)	(1,009)	(486)	(1,105)	(357)	(13,041)	(5,319)	(72,312)
Net carrying value	**267,078**	**7,842**	**13,155**	**469**	**3,426**	**6,503**	**44,279**	**40,006**	**382,758**

(in thousands of Canadian dollars)

10. Goodwill and Intangible Assets - continued

The Company has $14,252 of indefinite life intangible assets at June 30, 2012 (December 31, 2011 - $14,252).

11. Borrowings

Borrowings consist of the following:

	June 30, 2012 $	December 31, 2011 $
Term Loan	**133,750**	155,000
Loan arrangement costs	**(6,031)**	(5,977)
Revolving Facility	**69,093**	26,888
Convertible debt	**25,888**	8,000
Unaccreted discount on convertible debt	**(11,987)**	(3,386)
Related party convertible loan (note 17)	**5,000**	5,000
Unaccreted discount on related party convertible loan (note 17)	**(593)**	(773)
	215,120	184,752
Less: current portion	**13,750**	175,911
Total non-current borrowings	**201,370**	8,841

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 Loan had an original 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. Unamortized loan arrangement costs totalled $6,031 at June 30, 2012, and are netted against the Term Loan.

The Term Loan is subject to covenant tests to be performed at each reporting date. On May 10, 2012, the Company amended its lending agreement with its senior lenders. As part of the amended lending agreement, the Company amended certain financial performance covenants. The amendment of these covenants is based on the Company's forecasted budget and provides the Company with greater financing flexibility on a go forward basis. The Company expects to be in compliance with its revised financial performance covenants in future periods based on meeting its approved 2012 operating budget, working capital management initiatives, and other financing opportunities as considered necessary. The amended lending agreement revises the calculation of interest as under the new agreement interest is calculated on a sliding scale ranging from prime plus 1.25% to prime plus 3.25% for principal borrowed and a range of 0.56% to 1.06% standby rate fee for amounts not borrowed.

The Company was in compliance with its financial performance covenants at June 30, 2012. The Company did not meet certain of its financial performance covenants at March 31, 2012 and December 31, 2011. However, the Company received a waiver from its lenders subsequent to March 31, 2012 and December 31, 2011, respectively, with respect to certain financial performance covenants at March 31, 2012 and December 31, 2011. As required under IFRS, the Company presented its net Term Loan and Revolving Facility balances as current liabilities for these periods. At June 30, 2012, the Company's Term Loan and Revolving Facility balances are presented as long-term liabilities except for any amounts which are scheduled to be repaid by the Company within the next twelve months.

(in thousands of Canadian dollars)

11. Borrowings – continued

As at June 30, 2012, the Company has borrowed $133,750 of the Term Loan. Repayment terms are as follows:

	Total	1 year	2-3 years
Term Loan	$ 133,750	$ 13,750	$ 120,000

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. The Company also had additional borrowing capacity in terms of a pre-arranged accordion of $40,000 to be made available under its Revolving Facility, for acquisitions. During the six months ended June 30, 2012, the Company used the accordion as part of its acquisition of Motion Specialties and as such currently has a borrowing limit of $75,000 under the Revolving Facility. As at June 30, 2012, the Company has borrowed $69,093 from the Revolving Facility. The Revolving Facility is payable at the end of the four year term from when the Company entered into its credit agreement.

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

On May 8, 2012, the Company completed a private placement of $15,000 of subordinated, unsecured convertible notes. The notes bear interest at 5.50% per annum, payable semi-annually and mature on April 30, 2016. Each note is convertible into common shares of the Company at the option of the holder at a strike price of $0.93 per share. In addition, for every note purchased, the Company issued to its holder 270 share purchase warrants at a strike price of $0.93 per share which expire on April 29, 2016. The convertible notes are subordinated to the Company's senior debt with its lenders and to the preferred partnership units. The accounting treatment for this transaction is outlined in note 17 and 18.

On December 7, 2011, the Company announced a public offering with a focus on the Company's staff and healthcare professionals through a directed share program of up to 3,000 units at a price of $10 per unit for total gross proceeds of up to $30,000. A unit consists of $2 worth of common shares priced at a 10% discount to the volume weighted average trading price of the Company's common shares listed on the TSX for the five consecutive trading days immediately preceding the date of the pricing of the offering, $8 of unsecured, subordinated, convertible notes which bear interest at an annual rate of 6% paid semi-annually maturing on December 22, 2016, and common share purchase warrants, with a strike price of $1.66, equal to the same number of common shares forming part of the unit. The first closing of this offering was in December 2011 and the second closing was in February 2012. Through this offering, the Company raised gross proceeds of $13,610. The accounting treatment for this transaction is outlined in note 18.

The Company entered into interest rate swap agreements with face values of $75,000, $25,000 and $13,924. The interest rate swaps for $75,000 and $25,000 mature in June 2015 and have been designated as effective hedges. The interest rate swap for $13,924 matures in March 2015 and has not been designated as an effective hedge. At June 30, 2012, the fixed interest rates on the Company's interest rate swaps were approximately 5.12% and the floating interest rates were based on the three month Canadian Bankers Acceptance rate. For the three and six month periods ended June 30, 2012, the gains (losses) associated with swaps were ($807) and $314, respectively. The mark-to-market gains on swaps not designated as a hedge was $5 and $157 for the three and six month periods ended June 30, 2012. At June 30, 2012, the Company recorded an accrued liability of $1,341 (December 31, 2011 - $1,812) for its derivative financial instruments.

(in thousands of Canadian dollars)

12. Preferred Partnership Units

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

13. Finance Leases

The Company acquired lease agreements in connection with the acquisitions of Motion Specialties, SSI, Blue Water and LSC. The lease agreements were obtained to finance certain medical and physiotherapy equipment used in operations. Included within Motion Specialties, SSI, Blue Water and LSC, in property and equipment, are the following amounts where the Company is a lessee under finance leases:

	June 30, 2012 $	December 31, 2011 $
Cost - capitalized finance leases	**3,960**	3,722
Accumulated depreciation	**2,117**	1,375
Finance leased assets	**1,843**	2,347

The leases have an interest rate implicit in the lease ranging from 2% to 13% and resulted in a finance lease obligation with future minimum lease payments as follows:

	June 30, 2012 $	December 31, 2011 $
No later than 1 year	**1,515**	2,036
Later than 1 year but no later than 5 years	**277**	259
Future finance charges on finance lease	**51**	52
Minimum lease payments	**1,843**	2,347

The present value of finance lease liabilities is as follows:

	June 30, 2012 $	December 31, 2011 $
No later than 1 year	**1,529**	2,068
Later than 1 year but no later than 5 years	**314**	279
Present value of finance lease liabilities	**1,843**	2,347

(in thousands of Canadian dollars)

14. Income Taxes

The total provision for income taxes varies from the amounts that would be computed by applying the statutory income tax rate of approximately 27% (2011 – 30%) due to permanent and timing differences.

During the three and six months ended June 30, 2012, the Company recognized $1,527 in deferred tax assets related to Scientific Research and Experimental Development ("SRED") tax credits. The Company recognized the net benefit from these tax credits of $865 against related costs in costs of health services and supplies and employee costs.

Deferred income tax assets and liabilities are presented on a net basis by legal entity on the balance sheet. At June 30, 2012 and December 31, 2011, deferred tax assets of $750 and $241 were not recognized for SRED tax credits and capital losses for which the Company does not expect to realize the related benefit. At June 30, 2012 and December 31, 2011, the Company did not have any deferred tax liabilities that have not been recognized.

As at June 30, 2012 and December 31, 2011, the Company had $41,346 and $28,051, respectively of gross tax loss carryforwards. The Company expects that future operations will generate sufficient taxable income to realize the deferred tax assets.

In assessing the realization of deferred tax assets, the Company considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the period in which those temporary losses and tax loss carryforwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company believes that the use of these deductible differences is probable.

15. Interest Expense

Interest expense for the three and six month periods ended June 30, 2012 and 2011 are comprised of the following:

	Three months ended June 30		**Six months ended June 30,**	
	2012	2011	**2012**	2011
	$	$	**$**	$
Interest on long-term loan and revolving facilities	**2,872**	523	**5,480**	655
Amortization of loan arrangement fees	**440**	611	**830**	685
Interest on related party debt	**75**	141	**150**	301
Accretion of related party loan discounts	**92**	500	**191**	720
Interest on capital leases	**28**	45	**57**	109
Amortization of deferred loss on interest rate swap	**-**	44	**-**	62
Interest on convertible debt	**313**	-	**476**	-
Accretion on convertible debt	**78**	-	**124**	-
Interest expense before distributions for preferred partnership units	**3,898**	1,864	**7,308**	2,532
Distributions for preferred partnership units	**1,687**	-	**3,375**	-
Total interest expense	**5,585**	1,864	**10,683**	2,532
Interest income	**1**	125	**29**	157
Net interest expense	**5,584**	1,739	**10,654**	2,375

(in thousands of Canadian dollars)

16. Trade Payables and Other Amounts

Trade and other payables at June 30, 2012 and December 31, 2011 are comprised of the following:

	June 30, 2012 **$**	December 31, 2011 $
Trade payables	**26,610**	17,352
Accrued liabilities	**26,822**	26,635
Deferred revenue	**3,053**	773
Total trade and other payables	**56,485**	44,760

17. Related Party Transactions and Balances

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

Related party transactions

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 including Jamon Investments LLC, who own 36,098,976 shares or approximately 20% of the issued and outstanding common shares of the Company as of June 30, 2012. This ownership percentage disclosed assumes issuance of 69,106,081 escrowed shares in the total common shares considered to be outstanding and does not consider the cancellation of the 40,000,000 LifeMark escrowed shares which will occur during the third quarter.

A summary of the transactions with related parties, excluding financing transactions discussed below, for the three and six month periods ended June 30, 2012 and 2011 is as follows:

	Three month periods ended June 30, $		**Six month periods ended June 30, $**	
	2012	2011	**2012**	2011
GHIS fees				
Completion fees	**-**	1,400	**150**	1,704
Advisory fees	**300**	60	**600**	120
Market capitalization fee	**-**	276	**-**	404
Total fees earned by GHIS in the period	**300**	1,736	**750**	2,228
GHIS travel and related expenses	**73**	18	**95**	39
Interest incurred on loans	**122**	141	**197**	301
	495	1,895	**1,042**	2,568

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

17. Related Party Transactions and Balances – continued

Included in trade and other payables at June 30, 2012 and December 31, 2011 are $4,824 and $4,785, respectively, due to GHIS; and $376 and $226, respectively for interest payable to Jamon. The completion fees of $1,400 from the LifeMark acquisition and the financing fee of $2,800 related to specific 2011 financing activities are only due and payable to GHIS when it meets the conditions set out in the Credit Agreement between the Company and its senior lenders.

During the three and six month periods ended June 30, 2012, GHIS exercised 500,000 stock options at an exercise price of $0.50 resulting in proceeds of $250.

At December 31, 2011, GHIS had provided a letter of support to the Company indicating that it will exercise any options or warrants that it holds in the Company or provide alternative funding of similar value, if required, during 2012 in order to assist the Company in managing its liquidity risk. On May 8, 2012, entities controlled by the shareholders of GHIS were participants in a private placement which raised $15,000 which was used to pay down the Company's Term Loan. Of the funds raised, $6,838 was raised from entities controlled by the shareholders of GHIS and $2,040 was raised from directors, officers and other members of the Company's management team. On May 10, 2012, the Company notified GHIS that their letter of support was no longer required and was terminated.

Related party loan

The Company has a promissory note with Jamon for $5,000 that bears interest at 6% with a conversion feature of one share per one dollar of principal amount and is due November 9, 2013. In addition to the promissory note, Jamon was issued a warrant to purchase 1,000,000 common shares of the Company at an exercise price of $1.00 per share. The warrant expires on November 9, 2013.

During the three and six month periods ended June 30, 2012, the Company entered into loan agreements with a director and an officer of the Company who were former LifeMark shareholders of $400. These loans bear interest at 3% and are repayable within one year and are included in the Company's trade and other receivables.

(in thousands of Canadian dollars)

18. Shareholders' Equity and Earnings per Share

Common shares

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

Six months ended June 30, ($ thousands, except share amounts)	**2012**		2011	
Common shares	**Shares**	**Stated value $**	Shares	Stated value $
Balance, beginning of period	**98,220,254**	**62,122**	62,090,095	9,240
Issued in private placement	**-**	**-**	17,940,000	20,092
Cancellation of shares	**(600,000)**	**(540)**	-	-
Issuance of shares	**450,000**	**482**	-	-
Shares released from escrow	**10,127,956**	**16,205**	-	-
Issued on acquisitions	**3,597,632**	**6,140**	-	-
Issued through public financing	**463,163**	**411**	-	-
Restricted share unites vested	**-**	**-**	-	90
Stock options exercised	**587,500**	**432**	612,500	382
Balance, end of period	**112,846,505**	**85,252**	80,642,595	29,804

The Company's shares issued on acquisition are as follows:

	Shares	**Stated value $**
Motion Specialties	**3,495,359**	5,977
Other	**102,273**	163
	3,597,632	**6,140**

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. The total shares in aggregate are 181,952,586 at June 30, 2012.

Shares related to contingent consideration held in escrow at June 30, 2012:

Entity	**Escrowed Shares**
LifeMark	46,875,000
BlueWater	6,153,846
London Scoping	675,000
Classic Care	2,810,094
Performance	3,000,000
Motion Specialties	9,004,641
Other	587,500
Total	**69,106,081**

(in thousands of Canadian dollars)

18. Shareholders' Equity and Earnings per Share - continued

Subsequent to June 30, 2012, the Company agreed to release 6,875,000 of the LifeMark escrowed shares to the LifeMark vendors as LifeMark achieved certain performance metrics as specified in the purchase agreement for this transaction. The remaining 40,000,000 LifeMark escrowed shares will be cancelled.

On February 28, 2012, the Company issued 10,127,956 of the SSI escrowed shares to the SSI vendors as SSI achieved certain performance metrics as specified in the purchase agreement for this transaction. The remaining 1,700,000 SSI escrowed shares were cancelled. The Company did not issue any share purchase warrants to the vendors of SSI.

Effective April 30, 2012, the Company's former CEO stepped down as President and Chief Executive Officer of the Company to pursue other interests. On May 8, 2012, the Company cancelled 1,200,000 common shares that were previously issued to him of which 600,000 were restricted shares and then issued 450,000 common shares of the Company to him.

The continuity of restricted and escrowed shares is as follows:

	June 30, 2012
Balance at beginning of the period	71,941,896
Additional escrowed shares	9,592,141
Released escrowed shares	(10,127,956)
Cancelled escrowed shares	(2,300,000)
	69,106,081

Issuance of common shares and warrants

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

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

Dividend yield	Nil
Expected volatility	87%
Risk-free interest rate	1.40%
Expected life in years	4
Share price at date of issue	$1.07
Fair value of warrant and equity portion of convertible borrowings	$0.70

(in thousands of Canadian dollars)

18. Shareholders' Equity and Earnings per Share - continued

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

Warrants	$ 1,454
Equity portion of convertible borrowings	5,836
Debt	7,710
Total	$ 15,000

On December 7, 2011, the Company announced a public offering focused on the Company's staff and healthcare professionals through a directed share program of up to 3,000 units at a price of $10 per unit for total gross proceeds of up to $30,000. A unit consists of $2 worth of common shares priced at a 10% discount to the volume weighted average trading price of the Company's common shares listed on the TSX for the five consecutive trading days immediately preceding the date of the pricing of the offering, $8 of unsecured, subordinated to senior lenders and preferred partnership units, convertible notes which bear interest at an annual rate of 6% paid semi-annually, and common share purchase warrants, with a strike price of $1.66, equal to the same number of common shares forming part of the unit. The principal amount of the convertible notes can be converted prior to the close of business on the earlier of (i) the last business day immediately preceding the maturity date and (ii) the last business day immediately preceding the date specified by the Company for redemption of the convertible debt. Each note will be convertible into fully-paid, non-assessable and freely tradable shares of the Company at the option of the holder at any time following the period (if any) that the closing price of the Company's shares on the TSX has been at least $3.12 for 20 consecutive trading days at an initial conversion ratio of 320.51 shares per $1 principal amount of the convertible note. Upon conversion, the Company may offer and the converting holder may agree to the delivery of cash for all or a portion of the convertible debt surrendered in lieu of shares.

The Company sold 1,000 units and received gross proceeds of $10,000 from the first closing of this public offering which closed on December 22, 2011 and sold 361 units and received gross proceeds of $3,610 from the second closing of this public offering which closed on February 22, 2012. The Company incurred $881 in costs associated with the second closing. The components of the offering that have been fair valued in the consolidated financial statements are the debt, common shares, warrants and equity portion of convertible borrowings. The debt has been fair valued based on current market interest rates. The common shares have been valued based on the closing price of the Company's shares of $1.68 on the date of the closing of this offering.

The warrants and the equity portion of convertible borrowings have been valued using the Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	81%
Risk-free interest rate	1.47%
Expected life in years	5
Share price at date of issue	$1.68
Fair value of warrant and equity portion of convertible borrowings	$0.90

(in thousands of Canadian dollars)

18. Shareholders' Equity and Earnings per Share - continued

The Company has ascribed the following values to the components of the second closing of the offering instrument, excluding issuance costs:

Common shares	$ 572
Warrants	305
Equity portion of convertible borrowings	610
Debt	2,123
Total	$ 3,610

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 and taxes of $1,115. 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 $321 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

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

Six months ended June 30,	**2012**		2011	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of period	**11,355,500**	**$ 1.32**	6,100,000	$ 0.70
Options granted	**1,875,000**	**0.95**	2,265,500	1.66
Options exercised	**(587,500)**	**0.48**	(612,500)	0.36
Options cancelled /forfeited	**(338,000)**	**1.81**	(350,000)	1.17
Balance, end of period	**12,305,000**	**1.29**	7,403,000	0.59
Exercisable, end of period	**2,466,375**	**0.88**	1,308,334	0.28

(in thousands of Canadian dollars)

18. Shareholders' Equity and Earnings per Share - continued

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding as at June 30, 2012 are as follows:

Options Outstanding				Options Exercisable	
Range of Exercise Price	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
\$0.20 - \$0.50	1,000,000	\$0.33	1.6	781,250	\$0.35
\$0.51 - \$1.00	4,163,000	\$0.88	3.8	587,500	\$0.82
\$1.01 - \$1.50	1,250,000	\$1.03	2.4	625,000	\$1.03
\$1.51 - \$1.88	5,892,000	\$1.80	4.1	472,625	\$1.66
Total	12,305,000	\$1.29	3.6	2,466,375	\$0.88

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

Six months ended June 30,	**2012**		2011	
Share purchase warrants	**Warrants**	**Weighted average exercise price**	Warrants	Weighted average exercise price
Balance, beginning of period	**23,281,200**	**\$ 0.45**	21,500,000	\$ 0.36
Warrants granted	**4,513,163**	**1.00**	538,200	1.27
Balance, end of period	**27,794,363**	**0.54**	22,038,200	0.38
Exercisable, end of period	**26,048,200**	**0.47**	22,038,200	0.38

The weighted-average remaining contractual life and weighted-average exercise price of warrants outstanding as at June 30, 2012 are as follows:

Warrants Outstanding				Warrants Exercisable	
Range of Exercise Price	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
\$0.33 - \$1.66	27,794,363	\$0.54	2.3	26,048,200	\$0.47

(in thousands of Canadian dollars)

18. Shareholders' Equity and Earnings per Share - continued

On April 2, 2012, the Company issued 1,875,000 stock options to management and employees. These options have been fair-valued at $0.61 per option using the Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	95%
Risk-free interest rate	1.47%
Expected life in years	3.6
Share price at date of issue	$0.95
Forfeiture rate	6%

Earnings per share

Earnings per share has been calculated on the basis of net income for the period divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share, for all periods presented, was calculated based on the weighted average number of common shares outstanding and 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 a time weighting factor and included all share options and warrants that were issued at prices lower than the market price of the Company's common shares at the respective period-ends.

The following table illustrates the dilutive effect of the outstanding share options, convertible debt and warrants for the three and six month periods ended June 30, 2012 and 2011.

	Three month period ended June 30,		**Six month period ended June 30,**	
	2012	2011	**2012**	2011
Basic weighted average shares outstanding	**112,369,838**	80,525,000	**109,122,759**	74,298,000
Dilutive effect of unvested shares	**100,000**	1,100,000	**150,000**	1,100,000
Dilutive effect of share options	**1,037,364**	3,051,000	**2,289,845**	2,700,000
Dilutive effect of warrants	**12,780,474**	17,424,000	**15,288,000**	16,644,000
Dilutive effect of convertible debt	**-**	646,000	**4,654,632**	646,000
Diluted shares outstanding	**126,287,676**	102,746,000	**131,505,236**	95,388,000

Included in basic weighted average shares outstanding for the three and six month periods ended June 30, 2012 are 6,826,917 of common shares which are being released to vendors over a specified period of time. There are no performance conditions associated with these shares.

(in thousands of Canadian dollars)

19. Commitments

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

	June 30, 2012 $	December 31, 2011 $
Less than one year	**13,416**	9,041
Between one and five years	**35,395**	19,965
More than five years	**7,898**	8,020
Total	**56,709**	37,026

In the normal course of business, the Company enters into significant commitments for the purchase of goods and services, such as the purchase of inventory, most of which are short-term in nature and are settled under normal trade terms.

20. Contingencies

From time to time the Company is involved in litigation, investigations or proceedings related to claims arising out of its operations in the ordinary course of business. In the opinion of the Company, these claims and lawsuits in the aggregate, when settled are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

(in thousands of Canadian dollars)

21. Segmented Information

The Company has organized its operations based on the various products and services that it offers. The consolidated operations of the Company comprise five reportable operating segments referred to as: (i) Physiotherapy; ii) Pharmacy; (iii) Surgical; (iv) Assessments; and, (v) Retail Medical.

Certain general and administrative corporate costs have been allocated to the reportable segments based on the extent of corporate management's involvement in the reportable segment during the period. Those costs that generally represent the costs associated with a publicly-listed entity, as well as legal fees, due diligence, advisory fees and related mergers and acquisition-related services provided by independent third parties have been reported in the Corporate reportable segment.

	As at and for the three month period ended June 30, 2012						
	Physiotherapy $	**Pharmacy** $	**Surgical** $	**Assessments** $	**Retail & Home Medical Equipment** $	**Corporate** $	**Total** $
Revenue	45,563	23,381	9,327	9,545	26,307	-	114,123
Depreciation and amortization	3,301	405	843	1,125	538	107	6,319
Interest expense	-	-	-	-	-	5,584	5,584
Income before interest expense and income taxes (1)	3,983	2,021	289	706	1,423	39,743	48,165
Capital expenditures	921	473	187	195	514	-	2,290
Goodwill	115,935	51,468	21,427	32,457	45,791	-	267,078
Total assets	202,315	77,836	46,572	66,466	102,311	10,839	506,339
Total liabilities	28,228	5,697	3,561	16,994	14,392	305,618	374,490

(1) Included in the income before interest expense and income taxes for the Corporate segment is $44,993 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period and $2,454 in transaction and restructuring costs.

	As at and for the three month period ended June 30, 2011						
	Physiotherapy $	**Pharmacy** $	**Surgical** $	**Assessments** $	**Retail & Home Medical Equipment** $	**Corporate** $	**Total** $
Revenue	19,515	1,057	5,498	6,820	706	-	33,596
Depreciation and amortization	184	64	281	33	2	23	587
Interest expense	-	-	105	-	-	1,634	1,739
Income (loss) before interest expense and income taxes (1)	2,095	(41)	419	1,828	131	9,655	14,087
Capital expenditures	451	50	217	256	-	15	989
Goodwill	303,388	4,643	25,495	46	29,493	1,205	364,270
Total assets (2)	360,451	8,004	32,799	2,489	31,220	8,406	443,369
Liabilities	33,169	2,083	4,442	1,708	2,977	350,882	395,261

(1) Included in the income before interest expense and income taxes for the Corporate segment is $14,751 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period and $2,734 in transaction and restructuring costs.
(2) Total assets of the Corporate segment include a loan receivable of $1,714 from PrevCan Inc.

(in thousands of Canadian dollars)

21. Segmented Information – continued

	For the six month period ended June 30, 2012						
	Physiotherapy $	**Pharmacy** $	**Surgical** $	**Assessments** $	**Retail & Home Medical Equipment** $	**Corporate** $	**Total** $
Revenue	90,688	46,680	17,873	19,668	43,467	-	218,376
Depreciation and amortization	6,561	790	1,690	2,253	1,060	198	12,552
Interest expense	-	-	-	-	-	10,654	10,654
Income before interest expense and income taxes (1)	7,697	4,165	578	1,099	2,818	32,502	48,859
Capital expenditures	1,653	851	326	359	792	-	3,981

(1) Included in the income before interest expense and income taxes for the Corporate segment is $43,591 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period and $4,781 in transaction and restructuring costs.

	For the six month period ended June 30, 2011						
	Physiotherapy $	**Pharmacy** $	**Surgical** $	**Assessments** $	**Retail & Home Medical Equipment** $	**Corporate** $	**Total** $
Revenue	31,258	2,135	10,638	11,894	706	-	56,631
Depreciation and amortization	265	128	553	57	2	30	1,035
Interest expense	-	-	105	-	-	2,270	2,375
Income (loss) before interest expense and income taxes (1)	4,219	(62)	818	2,668	131	195	7,969
Capital expenditures	813	141	234	262	-	15	1,465

(1) Included in the income before interest expense and income taxes for the Corporate segment is $8,246 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period and $3,681 in transaction and restructuring costs.

(in thousands of Canadian dollars)

22. Supplementary Disclosure to the Consolidated Statements of Cash Flows

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

	Three month periods ended June 30,		**Six month periods ended June 30,**	
	2012	2011	**2012**	2011
	$	$	**$**	$
Trade and other receivables	4,619	1,020	1,230	(1,699)
Inventories	(3,501)	(73)	(2,085)	(69)
Prepaid expenses	102	(118)	(289)	(68)
Trade payables and other amounts	(1,785)	(656)	(17,105)	(836)
	(565)	173	(18,249)	(2,672)

23. Comparative Figures

For the year ended December 31, 2011, in finalizing its purchase price allocations, the Company amended the value ascribed to contingent consideration to include a discount on the fair value for contingent share consideration which was held in escrow. As a result, the Company has amended the comparative period change in fair value of contingent consideration figures by $1,233 and $1,284 for the three and six month periods ended June 30, 2012, respectively to reflect this revised valuation of contingent share consideration.

24. Subsequent Events

On July 23, 2012, the Company announced the appointment of David Cutler as President, Chief Executive Officer and a member of the Board of Directors of the Company effective September 3, 2012.

Subsequent to June 30, 2012, the Company agreed to release 6,875,000 of the LifeMark escrowed shares to the LifeMark vendors as LifeMark achieved certain performance metrics as specified in the purchase agreement for this transaction. The remaining 40,000,000 LifeMark escrowed shares will be cancelled.