Centric Health

Your Care. Our Focus.

Management's Discussion and Analysis

For the three and six month periods ended June 30, 2013 and 2012

Dated: August 13, 2013

Index

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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 2013 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, 2013 and 2012 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 unaudited interim consolidated financial statements and notes thereto for the three and six month periods ended June 30, 2013 and 2012. The unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2013 and 2012 are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. The Company's significant accounting policies are summarized in detail in note 1 of the consolidated financial statements for the years ended December 31, 2012 and 2011 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 13, 2013. 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 three and six month periods ended June 30, 2013

Financial Performance

For the second quarter ended June 30, 2013, the Company achieved record revenue and Adjusted EBITDA[1] financial performance. Revenue increased 7% to $122.2 million compared to $114.1 million in the prior year, due principally to organic growth. Adjusted EBITDA was $13.2 million (10.8% of revenue) for the quarter ended June 30, 2013 compared to $12.5 million (10.9% of revenue) for the second quarter in the prior year. The majority of this increases was a result of organic growth initiatives in all segments except for the Surgical and Medical Centre segment. In addition, compared to the first quarter of 2013, Adjusted EBITDA grew by 36% from $9.7 million and the Adjusted EBITDA margin improved from 8.6% to 10.8%. Revenue and Adjusted EBITDA grew in all segments between the first and second quarters of 2013. The Company continued its focus on operational and working capital improvements in the second quarter of 2013 which resulted in positive cash flow from operations for the fifth consecutive quarter.

Revenue increased to $235.5 million for the six month period ended June 30, 2013 from $218.4 million for the same period in the prior year due to organic growth and the acquisition of Motion Specialties in February 2012. For the six month period ended June 30, 2013 Adjusted EBITDA was $23.0 million as compared to $24.2 million for the six month period ended June 30, 2012. This decrease is mainly due to a decline in the Surgical and Medical Centre segment as the Company has undertaken a management reorganization at the Company's Sarnia location in order to reposition this centre for the future.

The Company is now realizing the benefits of management's efforts in response to regulatory reforms in the fall of 2010 in the Assessments segment. These efforts included a reduction in headcount and a consolidation in the number of assessment centres servicing clients. Adjusted EBITDA for the Assessments segment was $2.6 million and $4.1 million for the three and six month periods ended June 30, 2013 as compared to $1.8 million and $3.4 million for the same periods in the prior year. Moreover, the Adjusted EBITDA margin for this segment has improved to 25.5% and 22.4% from 19.2% and 17.0% for the three and six month periods ended June 30, 2013, respectively.

Financing

Consistent with the Company's objective of strengthening its balance sheet, on April 18, 2013, the Company completed a $200 million public offering of second lien senior secured notes which bear interest at 8.625% and mature on April 18, 2018. The Company used the proceeds from this offering to repay $184.5 million of its Term Loan and Revolving Facility and $10 million of preferred partnership units. On April 18, 2013, the Company also entered into an amended and restated credit agreement with its senior lenders. The amended and restated agreement revised the Company's Revolving Facility to a maximum borrowing limit of $50 million which matures and is payable on June 9, 2015. The Company has utilized $20 million of the amended and restated Revolving Facility to repay preferred partnership units for a total repayment of $30 million in the quarter of the Company's most expensive debt. The Company's new debt structure which does not require principal repayments until maturity along with the repayment of preferred partnership units completed in the second quarter will provide the Company with an additional $10 million in free cash flow on an annualized basis.

Related Party Transaction

On May 9, 2013 the Company's shareholders approved an amended consulting agreement between the Company and Global Healthcare Investments and Solutions, Inc. (“GHIS") which eliminates completion fees, removes consulting fees for the year ended December 31, 2013, and amends consulting fees to $75 per month from January 2014 to the completion of the agreement in June 2015. The Company issued 4,802,311 common shares to GHIS in July 2013 as part of this agreement, which is an equivalent of $2,150 in common shares of the Company at $0.45 per share which was the five day value weighted average of the Company's share price immediately following the announcement of the Company's 2012 annual results on March 28, 2013. These common shares are subject to a one year trading hold period unless the Company's Board of Directors approves an earlier date.

People

During the second quarter of 2013, the Company's President and Chief Executive Officer, David Cutler, announced the appointments of Chris Dennis as Chief Operating Officer and Jim Black as Chief Information Officer, both effective April 8, 2013. The Company also strengthened its Board of Directors with the appointment Camillo DiPrata as an independent director and member of the Company's Audit Committee and Human Resources Committee.

Regulatory

The Company is included in proceedings as part of the Designated Physiotherapy Clinics Association of Ontario who are seeking a judicial review of proposed regulatory changes announced by the Ontario Ministry of Health in April 2013 related to physiotherapy services for seniors. On July 26, 2013, the proposed changes were suspended by the Ontario Divisional Court, meaning business as usual until this case is being heard by a three judge panel on August 21, 2013. The potential impact of these proposed regulatory changes, should they be implemented, can not be fully determined prior to the outcome of this hearing.

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

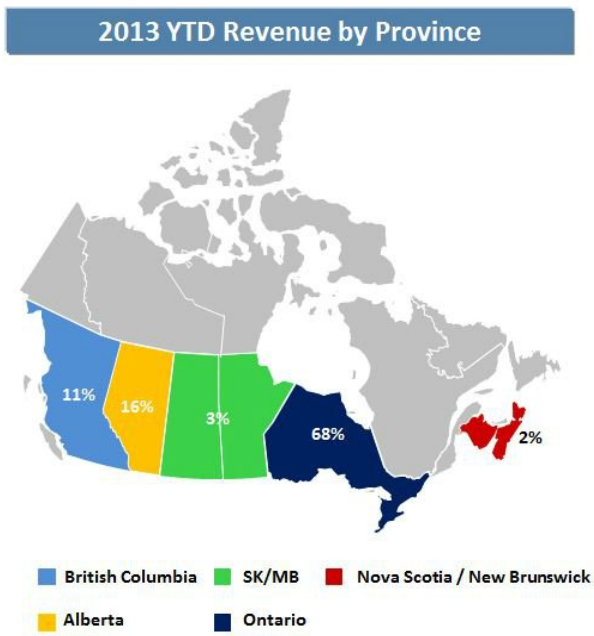
Business Overview

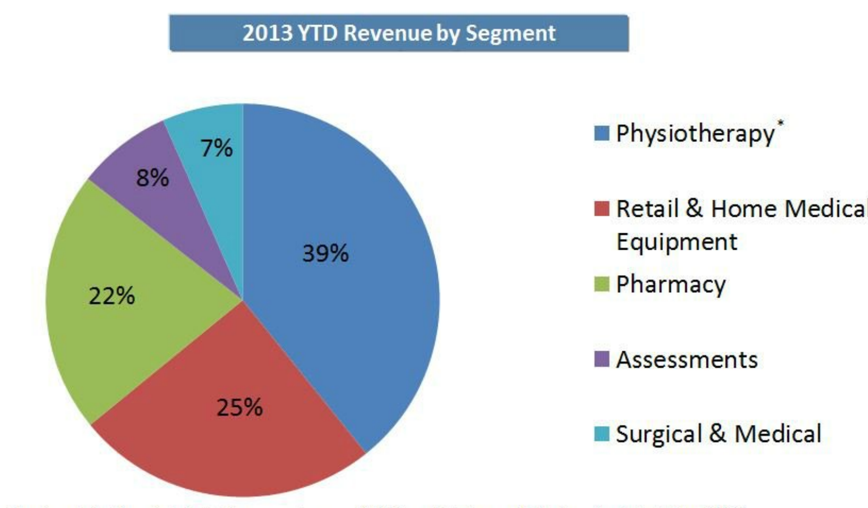
Centric Health Corporation is a Canadian healthcare services company with the largest healthcare services platform and networks across Canada in physiotherapy, assessments, seniors' wellness, surgical and medical centres, specialty pharma, orthotics and home medical equipment. The Company reaches approximately 1,000 locations across Canada and has 19 surgical operating rooms and provides services to over 60,000 long-term care and retirement home beds through its more than 3,600 healthcare professionals, staff and consultants.

Business Strategy

Centric Health is pursuing a strategy of expansion and growth to establish a national network which focuses on services to seniors, corporate health plans and surgical and medical centres. The Company aims to achieve this objective through organic growth opportunities, mergers and accretive acquisitions. Centric Health's organic growth initiatives are primarily focused on healthcare sectors that not only demonstrate compelling growth prospects but also present synergies, rationalization and cross-selling benefits which will create meaningful stakeholder value with an overarching **focus on quality care to our patients**. Centric Health's acquisitions are targeted towards entrepreneurial companies with a successful track record and intellectual property. This diversified strategy across seven 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 month period ended June 30, 2013 by province and segment are denoted below.



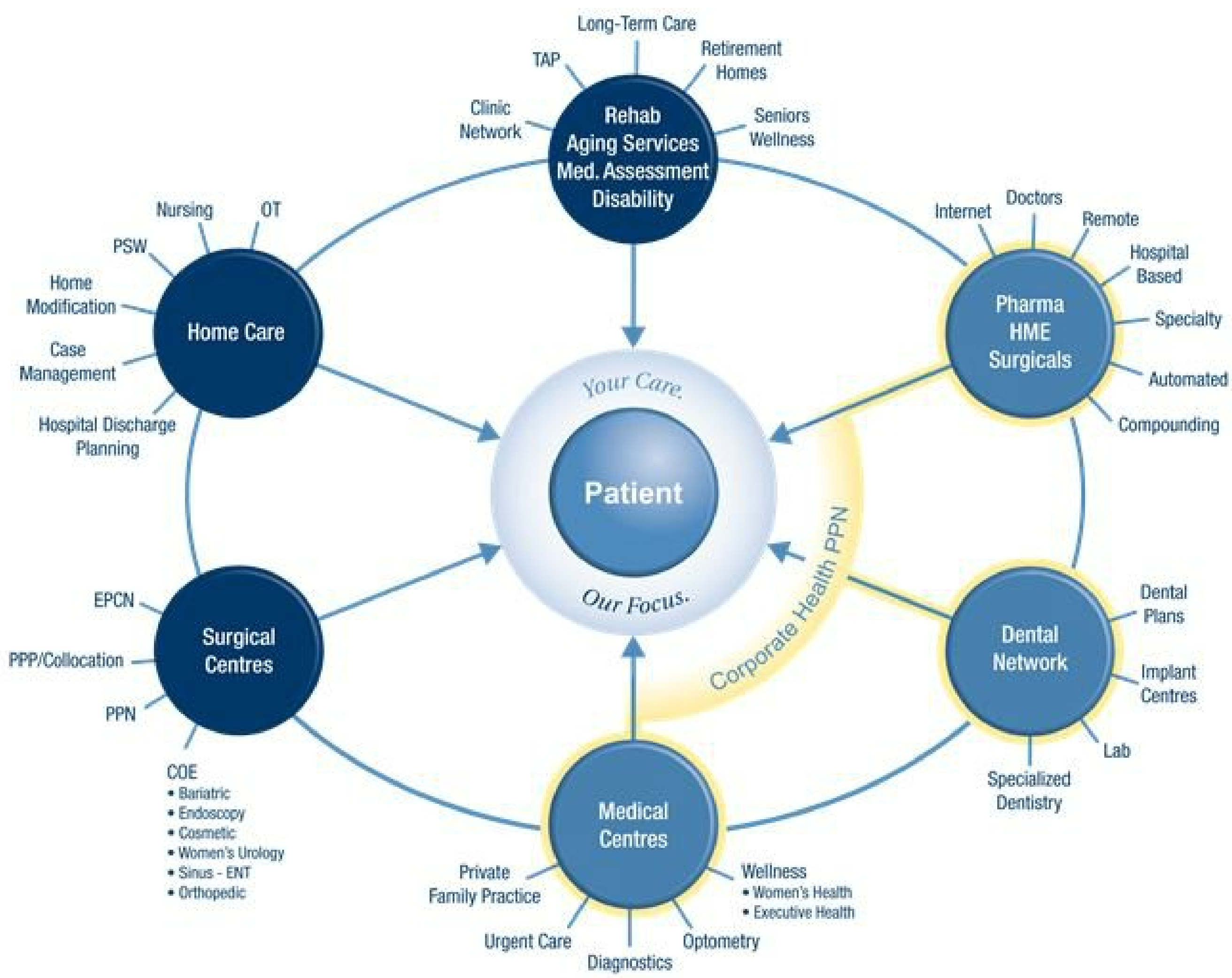


Centric Health has a strategic focus to differentiate its services and product offerings by partnering with healthcare professionals and employees to achieve clinical excellence with a focus on the highest standards of care. Centric Health's long-term objective is that management, staff and healthcare professionals will own between 30% to 40% of the Company. This contributes towards aligning interests, sharing ownership and motivating Centric Health stakeholders to offer patients a more comprehensive and personalized unique brand of care.

It is expected that organic growth, innovative top line initiatives as well as rationalization opportunities resulting in reduced operating costs will be realized in future quarters. The Company has assembled a strong new senior management team that is focused on harnessing the earnings potential of the Company's platform. Some of the efforts of the new management team were realized in the second quarter of 2013 however, many of their efforts are not expected to be fully realized until the second half of 2013. The Company recently launched its first Triage Assessment Program at the Rouge Valley hospital in Toronto, entered into a strategic alliance with Vancouver Imaging, launched an extended patient choice network and surgical centres of excellence in nasal and sinus and women's urology. The Company has realized efficiencies through consolidation of premises and facilitating centralization of support services and staff. These initiatives will continue in the coming quarters through IT systems integration, centralized purchasing and standardization of various transaction streams in the operations of the businesses. The Company will only pursue acquisitions that complement and enhance the Company's existing core operations and strategic plan.

The Company's strategy for a diversified portfolio of healthcare operations is illustrated through the diagram below.

Diversified Healthcare Portfolio Strategy

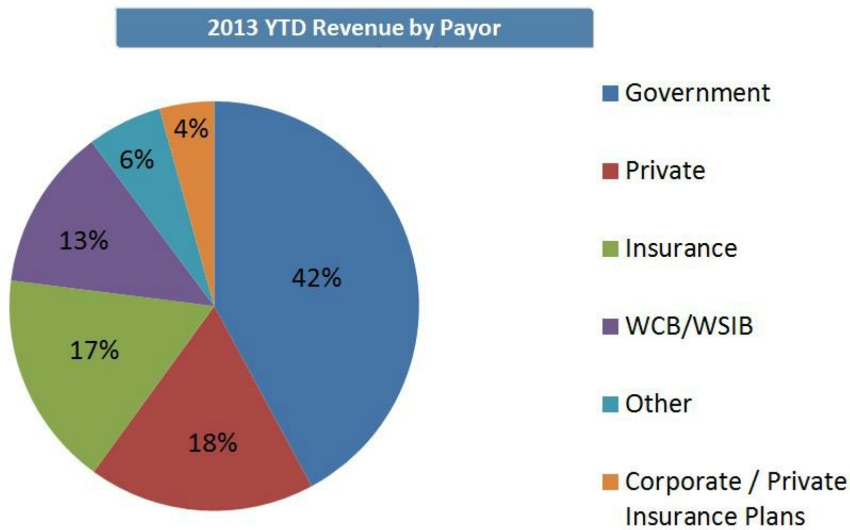


The Company's primary focus areas and target markets are as follows:

Primary Focus Area	Revenue Source
Seniors Services	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 independently provided healthcare spend which are underpinned by secure and diverse revenue streams with strong growth prospects.

The diversification of the Company's revenue streams is evidenced in the graph below.



Accreditation

The Company is fully committed 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 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.

During the second quarter of 2013, the Company achieved five Three - Year Accreditations with CARF including:

- Seniors Wellness for the Home and Community Services Program;
- Clinic Operations in Nova Scotia and Ontario for the Interdisciplinary Pain Rehabilitation and Occupational Rehabilitation Programs;
- Medical Assessments for the Independent Evaluation Services Program. This is a first time achievement in Canada and Centric Health is one of only three organizations in the world to be accredited for this new CARF program; and
- Home Care for the Home and Community Services Program.

Each survey report included a number of strengths for Centric Health including consistent themes for:

- evidence of a strong commitment by Centric Health to the growth and development of its new acquisitions;
- an atmosphere of mutual respect and congeniality between treatment staff and persons served. Each person served interviewed said how much they appreciate staff members' ability to address their rehabilitation needs and educate them in a manner that is both instructive and respectful; and
- referral sources and payers that expressed high satisfaction with the services provided, particularly with the outcomes achieved for persons served. These stakeholders consider Centric Health the provider of choice for care of their injured clients.

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

The second quarter of 2013 represented a new financial milestone for Centric Health as the Company achieved record revenue and Adjusted EBITDA. Under the leadership of its new CEO, David Cutler, Centric Health is poised to take advantage of its unparalleled Canadian national healthcare platform and its potential for future expansion and growth. Centric Health experienced rapid growth from 2010 to 2012 and has previously experienced challenges in realizing the full financial potential of its platform. While some efforts of the Company's management team were realized in the second quarter of 2013, there remains much work to complete. Over the past nine months since the appointment of the Company's new CEO, he has strengthened the senior management team which included the appointment of Daniel Gagnon as CFO in the first quarter of 2013 and Chris Dennis as COO and Jim Black as CIO during the second quarter of 2013. The Company's new management team continues to focus on optimizing and growing results from the Company's existing platform. Projects have been launched for the advancement and implementation of growth initiatives, the effective use of technology to enhance business integration, management of working capital and cost saving initiatives. Further initiatives are forthcoming from the Company's new leadership team, which include a common branding initiative and pilot projects in the Surgical and Medical Centre segment. The Company also expects that seasonal factors will affect their third quarter results as revenues tend to be lower in the Physiotherapy and Surgical and Medical Centre segments during the summer months.

The new executive team placed the strengthening of the Company's balance sheet as a key strategic initiative. The focus on this initiative was demonstrated through a $200,000 prospectus supplement for second lien senior secured notes in April 2013 which was used to pay down the Company's Term Loan, Revolving Facility and $10,000 of preferred partnership units. A further $20,000 was drawn from the Company's amended and restated Revolving Facility in April and June 2013 in order to further pay down preferred partnership units. The repayment of preferred partnership units is a key initiative of the Company as this is the Company's most expensive debt instrument. The Company's new debt structure which does not require principal repayments until maturity along with the repayment of preferred partnership units completed in the second quarter will provide the Company with an additional $10 million in free cash flow on an annualized basis. In addition, the second lien senior secured notes and the amended and restated Revolving Facility contain less onerous financial performance covenants. The Company anticipates that, based on meeting its 2013 operating budget, it will generate sufficient cash flow from operations in 2013 to meet its obligations as they come due.

The Company's principal focus in 2013 is on organic growth initiatives. Many organic growth initiatives were commenced in 2012 and the first half of 2013 which tend to have a long sales cycle and as such, the Company does not expect to begin to realize the benefits of these initiatives until the second half of 2013 and beyond. Cross-selling initiatives include bundled service contracts which leverages the Company's platform to offer bundled services of physiotherapy, pharmacy and home medical equipment services to long-term care and retirement homes. The Company signed new bundled services contracts in the first half of 2013 and the Company plans on continuing its focus in this area. Other cross-selling initiatives include expanding orthotic sales in physiotherapy clinics and Motion Specialties and MEDIchair stores and promoting rehabilitative services to surgical patients to expedite recovery. The Company recently launched its first Triage Assessment Program at the Rouge Valley hospital in Toronto, entered into a strategic alliance with Vancouver Imaging, launched an extended patient choice network and surgical centres of excellence in nasal and sinus and women's urology. The Company also continues to assess potential strategic acquisitions that will bolster its existing national platform, however any such acquisitions must provide an appropriate return relative to any debt which the Company incurs to complete the acquisition and the return is expected to be in excess of the Company's risk adjusted weighted average cost of capital including cross platform pollination benefits.

The Company's focus on improving its operating margins through right-sizing activities and operational efficiency projects is on-going. The Company expects to realize further margin benefits in the surgical segment as excess operating room capacity decreases and in the retail and home medical segment as it realizes the benefits from a significant IT integration.

Physiotherapy

The Company is included in proceedings as part of the Designated Physiotherapy Clinics Association of Ontario who are seeking a judicial review of proposed regulatory changes announced by the Ontario Ministry of Health in April 2013 related to physiotherapy services for seniors. On July 26, 2013, the proposed changes were suspended by the Ontario Divisional Court and this case is being heard by a three judge panel on August 21, 2013. The potential impact of these proposed regulatory changes can not be fully determined prior to the outcome of this hearing. Approximately 12% of consolidated revenues in 2012 were derived from services that may be impacted by these proposed regulatory changes. The Company has been responding to the potential regulatory changes and continued to focus on expanding the number of beds serviced in retirement and long-term care homes through the

Company's bundled services initiatives. The Company's goal is to ensure that seniors continue to receive quality care and outcomes whether in retirement and long-term care homes or in the community.

The Company continues to focus on growth in the physiotherapy segment through organic expansion initiatives. Retail, massage and orthotic initiatives were launched within physiotherapy clinics in 2012 and as these initiatives continue to expand in 2013, revenue and income growth is expected. Additionally, the Company continues to further expand its preferred provider relationships with employers and other organizations. The Company also recently launched a pilot Triage Assessment Program at the Rouge Valley Hospital in Toronto. Growth through the acquisition of additional physiotherapy clinics will only occur if the acquisition will be accretive to income and complementary to the Company's national network.

Pharmacy

Revenues for the Company's pharmacy operations is expected to increase in the balance of 2013 due to organic growth through tenders for contracts, retail initiatives, bundled service offerings and maximizing the utilization of existing infrastructure. 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. In 2013, plans for the pharmacy segment include expanding products and services to retirement and long-term care residents as a result of the acquisition of Class Med in October 2012. In addition, the Company expects to realize the benefits from the regulatory changes announced in the fall of 2012 by the Ontario government which expanded the scope of practice for pharmacists. While Adjusted EBITDA for this segment is also expected to grow in the second half of 2013, its growth rate is expected to be lower than the revenue growth rate in this segment as the Company will continue to incur non-recurring costs to implement Electronic Medication Administrative Records ("EMAR") for certain long-term care homes. Adjusted EBITDA margins for this segment should return to more historical levels in 2014.

Retail and Home Medical Equipment

The Company's Retail and Home Medical Equipment segment has experienced strong revenue growth in the first half of 2013 and this growth is expected to continue in the second half of 2013. The Adjusted EBITDA for this segment has not reflected its top-line growth as the Company has invested in revenue generating personnel for initiatives with a longer sales cycle. Motion Specialties also reduced head count in the second quarter of 2013 through attrition and restructuring in order to better align their resourcing needs. In addition, as the Company's new leadership team has reviewed the operations of Motion Specialties, it has validated the long term strength of this business, however the extent of addressing short-term challenges may take longer than originally anticipated. These challenges include integration within the Motion Specialties network of retail stores and with the Centric Health's core operating and financial systems and reducing discretionary spending through bulk-purchasing initiatives and spending caps. A major system integration of Motion Specialties is in progress and is expected to be completed by the end of 2013 which will further enhance the information available to the Company for decision making.

The Retail and Home Medical Equipment operations are key stakeholders in the Company's bundled service offerings to retirement and long-term care homes in Ontario. Motion Specialties is expanding its respiratory and elevating sales in addition to its "Drivers in Motion" program which are expected to enhance this segment's Adjusted EBITDA in the balance of 2013. The Company plans to only pursue the acquisition of retail and home medical equipment stores where it will strategically expand the Company's existing retail footprint.

Assessments

The Assessments segment has had a strong first half of 2013 in rebounding from the Ontario legislative changes announced in the fall of 2010 surrounding automobile insurance coverage. Substantial efforts were made in 2011 and 2012 to reduce fixed costs and “right size” the business, including consolidating operations in Ontario into fewer assessment centres in order to reduce excess overhead costs. The benefits of these initiatives are being realized in 2013 as referrals are increasing and margins are stabilizing and growing. The Company continues to focus on increasing its market share in this industry. The Company's growth initiatives in 2013 have included increased brand awareness in the industry, enhanced bookings through technology and providing insurers and adjusters with value added reporting enhancements to assist in tracking outcomes.

$000's (except for per share amounts)

Surgical and Medical

The financial results of the surgical and medical operations of the Company declined in the second half of 2012 and the first half of 2013 due to reduced surgical days given closures for vacations and renovations, and due to certain management changes in this segment. During the second quarter of 2013, the Company appointed leaders for the Surgical and Medical Centres segment for Eastern Canada and Western Canada. The Company continues to rebuild the surgical operations at its Sarnia facility resulting from the departure of the primary surgeon for this location due to its underperformance. The Company is focused on improving the financial performance of the Sarnia location, however the full financial benefits will not be realized until 2014. The Company continues to review its current surgical compliment and implementing strategies to improve the overall performance of this segment. Efforts to expand the roster of physicians in order to utilize excess operating room capacity is ongoing. The Company recently announced a five year strategic alliance with Vancouver Imaging for the provision of imaging at the Company's False Creek location in Vancouver and to explore other imaging opportunities across Canada. The Company has also launched an extended patient choice network program and surgical centres of excellence in nasal and sinus and women's urology. The Company will continue to seek partnerships with some of Canada's leading surgeons for the future launch of other specialized surgical centres of excellence and other initiatives. However, the Company only plans on launching these initiatives once a comprehensive and complete analysis has been completed in order to ensure that they are accretive to the Company within a reasonable period after their launch.

Selected Financial Information

The following selected financial information for the three and six month periods ended June 30, 2013 and 2012, has been derived from the unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2013 and 2012, 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.

	For the three month periods ended June 30,			**For the six month periods ended June 30,**		
	2013 **$**	2012 $	2011 $	**2013** **$**	2012 $	2011 $
Revenue	**122,184**	114,123	33,596	**235,465**	218,376	56,631
(Loss) income from operations	**(1,136)**	3,167	2,632	**(2,251)**	5,111	4,381
% of revenue	**(0.9)%**	2.8%	7.8%	**(1.0)%**	2.3%	7.7%
(Loss) income before interest expense and income taxes	**(1,514)**	48,165	14,087	**8,201**	48,859	7,969
EBITDA[2]	**7,469**	54,460	15,236	**25,777**	61,470	9,981
Adjusted EBITDA[2]	**13,211**	12,454	3,213	**22,955**	24,233	5,408
Per share - Basic	**$0.10**	$0.11	$0.04	**$0.18**	$0.22	$0.07
Per share - Diluted	**$0.07**	$0.10	$0.03	**$0.13**	$0.18	$0.07
Adjusted EBITDA Margin	**10.8%**	10.9%	9.6%	**9.7%**	11.1%	9.5%
Net (loss) income	**(12,361)**	42,366	11,722	**(7,989)**	37,715	4,598
Per share - Basic	**$(0.10)**	$0.38	$0.15	**$(0.06)**	$0.35	$0.06
Per share - Diluted	**$(0.10)**	$0.34	$0.11	**$(0.06)**	$0.29	$0.05
Cash flow from operations	**6,464**	8,003	(439)	**6,661**	(2,900)	(2,260)
Total assets	**481,958**	506,339	443,369	**481,958**	506,339	443,369
Total non-current liabilities	**277,311**	285,539	205,081	**277,311**	285,539	205,081

[2] Defined in Reconciliation of Non-IFRS Measures

$000's (except for per 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, amortization of lease incentives, and income tax (recovery) expense. Adjusted EBITDA is defined as EBITDA before transaction and restructuring costs, change in fair value of contingent consideration liability, change in fair value of derivative financial instruments, (gain) loss on disposal of property and equipment and stock based compensation expense. 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 both a basic and diluted basis. The Company believes that Adjusted EBITDA is a meaningful financial metric as it assists in the ability to measure cash generated from operations. EBITDA and Adjusted EBITDA are not recognized measures under IFRS.

EBITDA and Adjusted EBITDA have been determined as follows of three and six month periods ended June 30, 2013and 2012:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2013 **$**	2012 $	**2013** **$**	2012 $
Net (loss) income	**(12,361)**	42,366	**(7,989)**	37,715
Depreciation and amortization	**8,878**	6,319	**17,439**	12,552
Interest expense	**12,568**	5,584	**19,486**	10,654
Amortization of lease incentives	**105**	(24)	**137**	59
Income tax (recovery) expense	**(1,721)**	215	**(3,296)**	490
EBITDA	**7,469**	54,460	**25,777**	61,470
Transaction and restructuring costs	**1,889**	2,454	**2,413**	4,781
Change in fair value of contingent consideration liability	**(48)**	(44,993)	**(6,993)**	(43,591)
Stock-based compensation expense	**3,475**	538	**5,222**	1,686
Change in fair value of derivative financial instruments	**426**	(5)	**(3,459)**	(157)
(Gain) loss on disposal of property and equipment	**—**	—	**(5)**	44
Adjusted EBITDA	**13,211**	12,454	**22,955**	24,233
Basic weighted average number of shares	**126,698**	112,370	**125,355**	109,123
Adjusted EBITDA per share (basic)	**$0.10**	$0.11	**$0.18**	$0.22
Fully diluted weighted average number of shares	**183,873**	126,288	**183,056**	131,505
Adjusted EBITDA per share (diluted)	**$0.07**	$0.10	**$0.13**	$0.18

Results of Consolidated Operations for the three and six month periods ended June 30, 2013 and 2012

Revenues

The Company's revenue for the three month period ended June 30, 2013, increased by $8,061 to $122,184 as compared to the second quarter of 2012. This increase was mainly as a result of:

- Organic growth - same store revenue growth of $8,573 in all segments except Surgical and Medical Centres;
- Acquisitions - retail and home medical equipment stores acquired in the fourth quarter of 2012 and the first quarter of 2013 were accretive to revenue by $1,579; and
- Working days - increased revenue of $1,352 as a result of one additional working day in the current quarter.

Offsetting these increases were:

- Pharmacy - a decrease in revenue of $1,953 as a result of certain high volume drugs becoming generic; and
- Surgical - a decrease of $1,529 resulting from management changes at the Company's Sarnia location.

The Company's revenue for the six month period ended June 30, 2013, increased by $17,089 to $235,465 as compared to the same period in the prior year. This increase was primarily due to :

- Organic growth - same store revenue growth of $13,487 in the physiotherapy, pharmacy and retail and home medical equipment segments; and
- Acquisitions - purchase of Motion Specialties in February 2012, the addition of physiotherapy clinics acquired in the first quarter of 2012 and retail and home medical equipment stores acquired in the fourth quarter of 2012 and the first quarter of 2013 collectively increased revenue by $12,452.

Offsetting these increases were:

- Pharmacy - a decrease in revenue of $3,489 as a result of certain high volume drugs becoming generic;
- Surgical - a decline of approximately $2,791 mainly due to management changes at the Company's Sarnia location;
- Assessments - decrease of $1,181 due to a decline in referrals resulting from legislative changes in this segment; and
- Physiotherapy - an impact of $870 from physiotherapy clinics that were closed since the first quarter of 2012.

Expenses

Most of the Company's costs have increased between the first half of 2013 as compared to the first half of 2012 due to the acquisition of Motion Specialties in February 2012.

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 pharmaceuticals and home medical equipment inventory sold. Cost of healthcare services and supplies for the three month period ended June 30, 2013 were $61,333 as compared to $56,401 for the three month period ended June 30, 2012. Cost of healthcare services and supplies increased as a percentage of revenue over the comparative period from 49.4% to 50.2% due mainly to standard inflationary increases in wages and fees paid to front-line healthcare staff.

Cost of healthcare services and supplies for the six month period ended June 30, 2013, were $118,896 compared to $109,809 for the same period in the prior year. As a percentage of revenue, the cost of healthcare services and supplies remained relatively consistent at 50.5% in the current period as compared to 50.3% in the comparable period in the prior year.

Employee costs include salaries and benefits of employees working directly in each business segment. Employee costs increased to $28,390 for the three month period ended June 30, 2013 from $25,329 for the comparative period in the prior year. This increase can mainly be attributed to increased head counts in the Pharmacy and Retail and Home Medical Equipment segments.

For the six month period ended June 30, 2013, employee costs were $54,992 compared to $46,808 for the same period in the prior year. Of this increase, $4,712 of the employee costs are related to the acquisition of Motion Specialties. The Company realized cost savings from the reduction of its assessment workforce in the right-sizing of these operations, which was offset by increased head counts in the Pharmacy, Physiotherapy and Retail and Home Medical Equipment segments. Head count increases in the Physiotherapy and Retail and Home Medical Equipment segments are mainly revenue generating and in Pharmacy are for the non-recurring implementation of EMAR.

Other operating expenses include occupancy costs, insurance, communication, advertising and promotion and administrative expenses incurred at the operational level. For the three month period ended June 30, 2013, other operating expenses decreased to $15,428 from $15,777 for the comparative period in the prior year due to cost savings from the restructuring of the Company's assessment operations.

Other operating expenses for the six month period ended June 30, 2013, were $30,983 compared to $29,345 for the same period in the prior year which is reflective of the Company's growth from the Motion Specialties acquisition offset by cost savings from the restructuring of the Company's assessment operations.

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 month period ended June 30, 2013 decreased to $3,927 from $4,138 for the same period in the prior year. Corporate office expenses represented 3.2% for the second quarter of 2013 as compared to 3.6% for the second quarter of 2012. This improvement is mainly due to the waiving of advisory fees from GHIS in 2013.

Corporate expenses for the six month period ended June 30, 2013, were $7,776 compared to $8,240 for the three month period ended June 30, 2012. Corporate office expenses have improved from 3.8% of revenue for the six month period ended June 30, 2012 to 3.3% for the six month period ended June 30, 2013 as a result of the Company's right-sizing initiatives and the waiving of advisory fees from GHIS in 2013. The Company expects corporate expenses to be relatively consistent at current levels for the balance of 2013.

Depreciation and amortization increased by $2,559 to $8,878 for the three month period ended June 30, 2013 and by $4,887 to $17,439 for the six month period ended June 30, 2013 as compared to the same periods in the prior year, respectively. The majority of these increases are a result of the amortization of intangible assets recognized in the determination of identifiable assets from the Company's acquisitions of Motion Specialties, Classic Care and Performance Medical Group.

Stock-based compensation expense, a non-cash expense, increased by $2,937 for the three month period ended June 30, 2013 and by $3,536 for the six month period ended June 30, 2013 versus the comparable periods in the prior year, respectively. These changes are due an increase in the fair value of stock-based compensation due to the issuance of additional stock options and restricted share units on a period over period basis.

Transaction and restructuring costs decreased by $565 to $1,889 for the three month period ended June 30, 2013 and by $2,368 to $2,413 for the six month period ended June 30, 2013 as compared to the same periods in the prior year respectively. In the second quarter of 2013, the Company incurred transaction costs of $62, start-up costs of $290 related mainly to certain initiatives in the surgical segment and restructuring costs of $1,533 mainly from redundant head count reductions in the retail and home medical segment. Transaction and restructuring costs are lower in the first half of 2013 as compared to the first half of 2012 as the majority of costs incurred in the first half of 2012 related to completing the acquisitions of Motion Specialties and five physiotherapy clinics and severance costs related to the departure of the Company's former CEO.

For the three month period ended June 30, 2013, **loss from operations**, expressed as revenue less cost of healthcare services and supplies, general and administrative expenses and transaction and restructuring costs was $1,136 or 0.9% of revenues. The Adjusted EBITDA for the three month period ended June 30, 2013 was $13,211 as compared to $12,454 for the same period in the prior year. Adjusted EBITDA represented approximately 10.8% of revenue for the three month period ended June 30, 2013 which is comparable to the Adjusted EBITDA margin of 10.9% for the same period in the prior year.

Loss from operations for the six month period ended June 30, 2013 was $2,251 or 1.0% of revenues. The Adjusted EBITDA for the six month period ended June 30, 2013 was $22,955 as compared to $24,233 for the same period in the prior year. The Adjusted EBITDA margin decreased to 9.7% from 11.1% over the comparative periods mainly due to low utilization of operating room capacity in the Surgical and Medical Centre segment and the inclusion of the results of Motion Specialties which are at lower margins. Within the Surgical and Medical Centre segment, there are considerable economies of scale as operating room capacity is maximized. As excess operating room capacity decreases in the future an improvement in margins in the surgical segment is anticipated. The margins for Motion Specialties which was acquired in February 2012 are lower than the Company's other operating segments which impacts on the Company's overall margin percentage.

Interest expense for the three and six month periods ended June 30, 2013, was $12,568 and $19,486 as compared to $5,584 and $10,654 for the same periods in the prior year, respectively. The largest factor for the increased interest expense over the comparative periods was the expensing of $4,704 in the second quarter of 2013 for loan arrangement fees related to the Company's Term Loan which were being amortized over the original life of the debt agreement. Interest expense excluding amortization and accretion expenses for the three and six month periods ended June 30, 2013 was $6,570 and $12,070 as compared to $4,974 and $ 9,509 for the three and six month periods ended June 30, 2012. Interest expense relates to the Term Loan, second lien senior secured notes, Revolving Facility, the distribution on preferred partnership units, the related party loan obtained in November 2010, the capital leases assumed in acquisitions and the convertible debentures issued in December 2011, February 2012, May 2012 and September 2012. The increase in interest expense excluding amortization and accretion expenses is mainly be attributable to increased convertible borrowings and a higher average borrowing base on senior debt over the comparative periods.

$000's (except for per share amounts)

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2013 $	2012 $	**2013 $**	2012 $
Interest on long-term loan, revolving facilities and second lien senior secured notes	**4,357**	2,872	**7,138**	5,480
Amortization of loan arrangement fees[3]	**5,184**	440	**5,682**	830
Interest on related party amounts	**162**	75	**323**	150
Accretion of related party loan discounts	**115**	92	**224**	191
Interest on capital leases	**19**	28	**31**	57
Amortization of deferred gain on interest rate swap	**(143)**	—	**(163)**	—
Interest on convertible debt	**801**	313	**1,592**	476
Accretion on convertible debt	**842**	78	**1,673**	124
Interest expense before distributions for preferred partnership units	**11,337**	3,898	**16,500**	7,308
Distributions for preferred partnership units	**1,238**	1,687	**2,993**	3,375
Total interest expense	**12,575**	5,585	**19,493**	10,683
Interest income	**(7)**	(1)	**(7)**	(29)
Net interest expense	**12,568**	5,584	**19,486**	10,654

[3] Includes the expensing of $4,704 of loan arrangement fees related to the Company's previous senior debt in the three and six month periods ended June 30, 2013.

The **change in fair value of derivative financial instruments** of $426 and $3,459 for the three and six month periods ended June 30, 2013 relates to the change in fair value of interest rate swaps during the period for which the Company has not formally designated as a hedging transaction, the change in fair value of the derivative liability component of certain debt offerings and the change in fair value of redemption features included in certain of the Company's debt arrangements. The fluctuation of these balances are reflective of various factors including changes in the Company's share price, interest rates and credit spreads.

For the three and six month periods ended June 30, 2013, the Company recognized gains on the **fair value of contingent consideration liabilities** of $48 and $6,993 as compared gains of $44,993 and $43,591for the comparative periods in the prior year, respectively. The Company is required to value contingent consideration liabilities pursuant to its business combination activities. The Company's valuation method to determine the value of contingent consideration is largely based on the value of common shares including a discount to reflect that the shares are not freely tradable until they are released from escrow and the probability of the acquired business achieving stated performance targets. Warrants accrue to the vendors subject to achieving outperformance of earnings targets. The valuation of contingent consideration on the date the acquisition closes becomes part of the total consideration in the purchase price allocation. Subsequently, the contingent consideration is revalued on each reporting date with changes in fair value included in the statement of income. The main driving factor behind the decreased gains in contingent consideration on a period over period basis was the settlement of the LifeMark contingent consideration in the second quarter of 2012 as the vendors of LifeMark earned 6,875,000 out of a possible 46,875,000 outperformance shares.

The largest contingent consideration liability at June 30, 2013 relates to Motion Specialties which is subject to a three year earn-out period concluding on December 31, 2014. The earn-out agreement for Motion Specialties is based on a 1/3rd cash and 2/3rd common share issuance formula applying an average warranted EBITDA target of $10,000 over the earn-out period. In addition, the earn-out formula considers the impact of working capital and debt levels. During the three month period ended March 31, 2013, the Company reduced the probability with achieving stated performance targets from a 90% probability to a 50% probability for the second and third years of the earnout period. This decrease in probability was a result of Motion Specialties generating a working capital shortfall as compared to what had been projected as part of the earn-out agreement.

During the three months ended June 30, 2013, the Company issued 97,488 common shares from treasury and released 129,383 common shares from escrow to the vendors of three physiotherapy clinics as consideration for the first year of the earn-out agreements for these acquisitions.

On March 15, 2013, the Company released 34,134 common shares to the vendors of London Scoping Centre as consideration for the first year of the earn-out agreement for this acquisition.

The earn-out period for the vendors of Classic Care ended on November 30, 2012. The Classic Care operations achieved the performance targets as outlined in the purchase agreement for this acquisition and as such the Company released 2,810,094 escrowed shares and 5,000,000 share purchase warrants to the vendors of Classic Care on February 12, 2013.

The first year earn-out period for Performance Medical Group ended on November 30, 2012 and Performance Medical Group did not achieve their specified performance targets. The Company had adjusted the probability of the first year performance targets being achieved to zero percent in the third quarter of 2012 based on the year to date results from these operations. As a result of employment arrangements with the vendor of Performance Medical Group, the Company released 1,500,000 escrowed shares on February 5, 2013 to the vendor of Performance Medical Group.

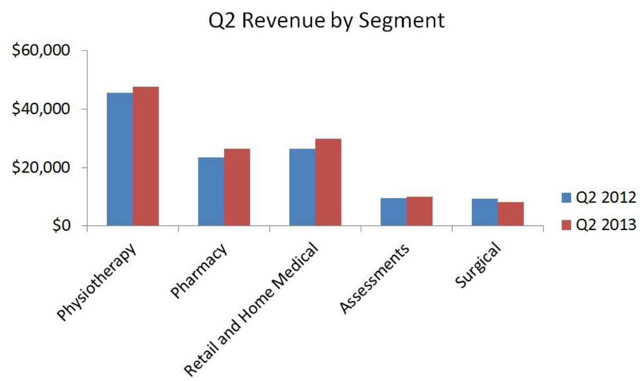
Income tax recovery was $1,721 and $3,296 for the three and six month periods ended June 30, 2013 as compared to an income tax expense of $215 and $490 for the same periods in the prior year. The Company is in a recovery position in the current year mainly due to the Company generating loss carryforwards in certain legal entities. The Company has projected that it will generate taxable income in order to use these loss carryforwards, except for an unrecognized deferred tax asset of $3,500 which the Company has not recorded at June 30, 2013 in respect of certain non-capital losses. Income tax recovery is calculated at the statutory rate of approximately 25% and is applied on income before taxes adjusted for items that adjust income for tax purposes, primarily stock-based compensation, changes in fair value of contingent consideration, transaction costs, losses carried forward, capital cost allowances and eligible capital deductions.

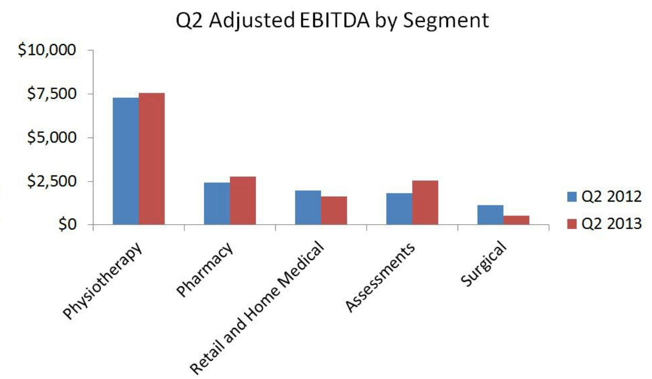
$000's (except for per share amounts)

Results of Segmented Operations

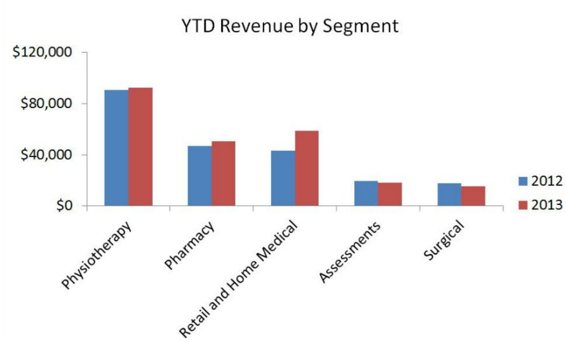
This section presents the results of operations for the three and six month periods ended June 30, 2013 and 2012 for the various operating segments of the Company. Operating segments, as reported to the Chief Operating Decision Makers ("CODM") are as follows: Physiotherapy, Pharmacy, Retail and Home Medical Equipment, Assessments and Surgical and Medical Centres. The support services provided through the corporate offices largely support the operations of the Company and certain of these costs have been allocated to the operating segments based on the extent of corporate management's involvement in the reportable segment during the period.

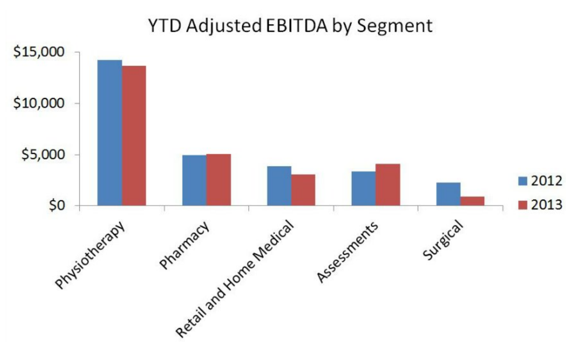
For the three month periods ended June 30,	**Revenue**		**Adjusted EBITDA**			
	2013 $	2012 $	**2013 $**	**%**	2012 $	%
Physiotherapy	**47,716**	45,563	**7,570**	**15.9**	7,284	16.0
Pharmacy	**26,392**	23,381	**2,779**	**10.5**	2,426	10.4
Retail and Home Medical Equipment	**29,895**	26,307	**1,633**	**5.5**	1,961	7.5
Assessments	**10,020**	9,545	**2,552**	**25.5**	1,831	19.2
Surgical and Medical Centres	**8,161**	9,327	**541**	**6.6**	1,132	12.1
Corporate	**—**	—	**(1,864)**	**—**	(2,180)	—
Total	**122,184**	114,123	**13,211**	**10.8**	12,454	10.9





For the six month periods ended June 30,	**Revenue**		**Adjusted EBITDA**			
	2013 $	2012 $	**2013 $**	**%**	2012 $	%
Physiotherapy	**92,329**	90,688	**13,688**	**14.8**	14,258	15.7
Pharmacy	**50,669**	46,680	**5,060**	**10.0**	4,955	10.6
Retail and Home Medical Equipment	**58,574**	43,467	**3,093**	**5.3**	3,878	8.9
Assessments	**18,332**	19,668	**4,103**	**22.4**	3,352	17.0
Surgical and Medical Centres	**15,561**	17,873	**909**	**5.8**	2,268	12.7
Corporate	**—**	—	**(3,898)**	**—**	(4,478)	—
Total	**235,465**	218,376	**22,955**	**9.7**	24,233	11.1





Physiotherapy

The Physiotherapy segment is comprised of 105 owned physiotherapy clinics and a network of 36 additional 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 of 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 468 retirement, assisted-living and long-term care homes with more than 50,000 residents operating primarily in the province of Ontario through its network of independent consultants.

The Company is included in proceedings as part of the Designated Physiotherapy Clinics Association of Ontario who are seeking a judicial review of proposed regulatory changes announced by the Ontario Ministry of Health in April 2013 related to physiotherapy services for seniors. On July 26, 2013, the proposed changes were suspended by the Ontario Divisional Court and this case is being heard by a three judge panel on August 21, 2013. The potential impact of these proposed regulatory changes can not be fully determined prior to the outcome of this hearing.

Revenue for the Physiotherapy segment increased to $47,716 from $45,563 for the three month periods ended June 30, 2013 and 2012 and increased to $92,329 from $90,688 for the six month periods ended June 30, 2013 and 2012. The increases over both periods were mainly driven by same store revenue growth of 3.3% and 2.5% for the three and six month periods respectively. In addition, there was one less working day between the comparative six month periods which offset the organic growth impact.

Adjusted EBITDA increased from $7,284 to $7,570 for the three month periods ended June 30, 2013 and 2012. This increase is mainly be attributed to same store revenue growth. Adjusted EBITDA for the six month period ended June 30, 2013 decreased to $13,688 from $14,258 for the same period in the prior year. This decrease was due to there being one fewer working day in the first half of 2013 as compared to the first half of 2012, the impact of closed locations on a period over period basis, and increased salary costs in revenue generating positions, which offsets the impact of organic growth.

Pharmacy

The Company has a retail and niche pharmacy network of 18 pharmacies that service 36 methadone treatment centres and pharmaceutical dispensing operations that service over 200 long-term care facilities with over 16,000 residents. The Company's script count has increased by approximately 89,000 per month compared to the same time in the prior year.

Pharmacy revenues increased to $26,392 and $50,669 for the three and six month periods ended June 30, 2013 as compared to $23,381 and $46,680 for the same periods in the prior year. These revenue increases are a result of organic growth offset by a decrease related to lower prices for certain commonly prescribed drugs which now have a generic version available.

Adjusted EBITDA increased to $2,779 and $5,060 for the three and six month periods ended June 30, 2013 in contrast to $2,426 and $4,955 for the comparative periods in the prior year. The impact of organic growth over these periods was mainly offset by the impact of lower generic drug prices and the non-recurring impact to implement EMAR for certain long-term care homes . The Company has incurred incremental personnel and up front hardware costs as part of the EMAR implementation. Costs associated with EMAR implementation are expected to subside by the fourth quarter of 2013.

$000's (except for per share amounts)

Retail and Home Medical Equipment

The Company currently operates over 145 retail and home medical locations across Canada through Motion Specialties, MEDIchair and Performance Medical Group. 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 healthcare 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.	8 corporate stores and 62 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

Revenue for the Retail and Home Medical Equipment segment for the three and six month periods ended June 30, 2013 was $29,895 and $58,574 as compared to $26,307 and $43,467 for the three and six month periods ended June 30, 2012 . The increase in the current quarter over the same period in the prior year was due to organic growth of 6.8% and additional revenue from retail and home medical equipment store acquisitions. The increase in this segment over the comparative six month periods was due to the acquisition of Motion Specialties in the first quarter of 2012 which contributed $9,585 in incremental revenue to this segment as compared to the first half of 2012. In addition, there was an increase in same store revenue when comparing the first half of 2013 and 2012 and incremental revenue from the acquisition of retail and home medical equipment stores in the fourth quarter of 2012 and the first quarter of 2013.

Despite the increase in revenue, Adjusted EBITDA for this segment for the three and six month periods ended June 30, 2013 was $1,633 and $3,093 as compared to $1,961 and $3,878 for the comparative periods in the prior year. These decreases were mainly due to higher salary costs related to a growth in the sales force for initiatives such as respiratory sales and "Drivers in Motion". Due to the nature of the retail and home medical equipment business, sales growth initiatives tend to translate into revenue and Adjusted EBITDA growth over a longer term period. Other salary costs continued to be higher than anticipated which led Motion Specialties to reduce head count in the second quarter of 2013 through attrition and restructuring in order to better align their resourcing needs. Prior to the acquisition of Motion Specialties in February 2012, the Adjusted EBITDA margin mainly included the royalty revenues earned from the MEDIchair franchises which have higher margins as compared to the margins on corporate stores.

Assessments

The Assessments segment is currently comprised of 5 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 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.

Revenue for Assessments increased to $10,020 from $9,545 for the three month period ended June 30, 2013 and 2012. This revenue increase is mainly a result of the stabilization of this industry following regulatory changes in Ontario. Revenue decreased to $18,332 from $19,668 for six month period ended June 30, 2013 and 2012 mainly due to fewer referrals on a comparative basis between the first half of 2013 and 2012. This decrease can be directly attributed to the impact of regulatory changes in the Ontario assessments industry in the fall of 2010.

In addition to the increase in revenue, Adjusted EBITDA and the Adjusted EBITDA margin for the Assessments segment increased to $2,552 and 25.5% from $1,831 and 19.2% for the three month periods ended June 30, 2013 and 2012, respectively. For the six month periods ended June 30, 2013 and 2012, despite the decrease in revenue, Adjusted EBITDA and Adjusted EBITDA margin improved to $4,103 and 22.4% from $3,352 and 17.0%, respectively. These increases can be attributed to the Company's continuing efforts to re-engineer the operations and reduce its costs in response to regulatory reforms in the assessments segment. These efforts included a reduction in headcount and a consolidation in the number of assessment centres servicing clients. In addition, for the three month period ended June 30, 2013, the Company benefited from working capital initiatives which led to the collection of certain receivable balances for which a full provision has previously been taken.

Surgical and Medical Centres

The Company has seven 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, Centric Surgical Centre in Sarnia, Ontario, Windsor Endoscopy in Windsor, Ontario, London Scoping Centre in 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 a variety services which may include; primary care, executive medical, urgent care and diagnostic services, including CT and MRI scan capabilities. Surgical specialties include plastic, reconstructive, cosmetic, orthopedic, gynecology, urology, neurosurgery, bariatric, endoscopic and otolaryngology. The Company also operates a sleep clinic from its Don Mills Surgical Unit. The Company's customers include Workers Compensation Boards, regional health authorities, non-residents, private patients and various governmental agencies.

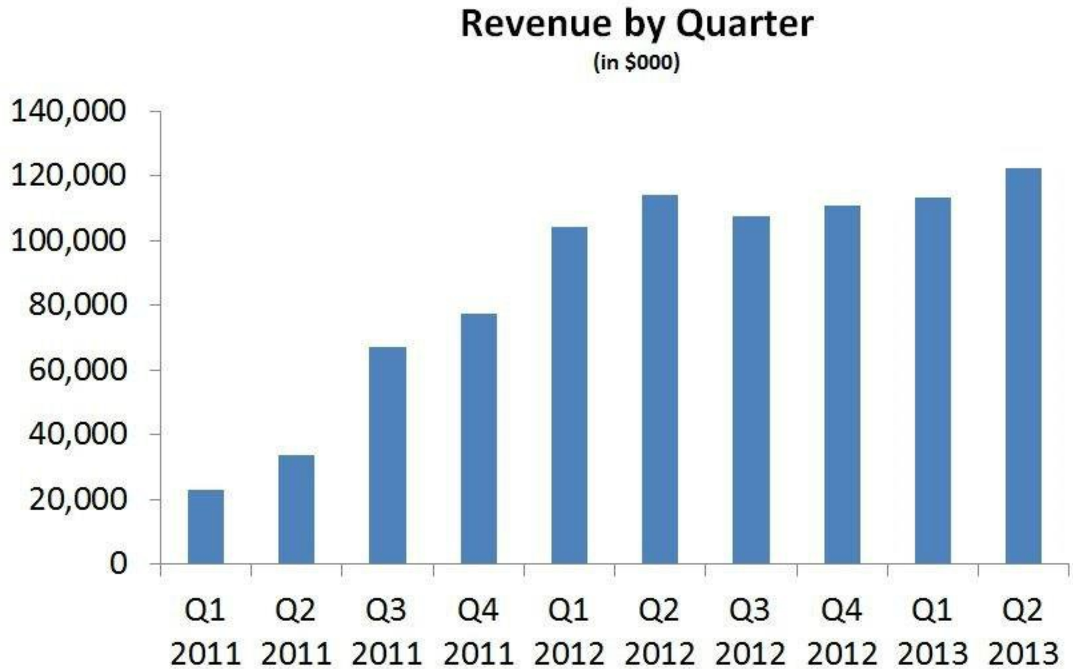
Revenue generated by the Surgical and Medical Centre segment for the three and six month periods ended June 30, 2013 was $8,161 and $15,561 as compared to $9,327 and $17,873 for the comparative periods in the prior year. Adjusted EBITDA decreased to $541 and $909 from $1,132 and $2,268 over the respective comparable periods. These decreases can be mainly attributed to low utilization of operating room capacity and the impact of management changes at the Company's Sarnia location which included the departure of the primary revenue generating surgeon for this location. The Company is looking to strengthen underperforming surgical centres has undertaken surgical initiatives and related initiatives to further grow this segment as discussed in the Business Outlook.

$000's (except for per share amounts)

Summary of Quarterly Results

	4th Quarter ($)	3rd Quarter ($)	2nd Quarter ($)	1st Quarter ($)
Fiscal year 2013				
Revenue and other income			122,184	113,281
Adjusted EBITDA			13,211	9,743
Adjusted EBITDA per share				
Basic			0.10	0.08
Diluted			0.07	0.05
Net (loss) income			(12,361) [3]	4,373 [4]
(Loss) earnings per share				
Basic			(0.10)	0.04
Diluted			(0.10)	0.02
Fiscal year 2012				
Revenue and other income	110,917	107,358	114,123	104,253
Adjusted EBITDA	9,591	9,008	12,454	11,779
Adjusted EBITDA per share				
Basic	0.08	0.08	0.11	0.11
Diluted	0.06	0.07	0.10	0.09
Net (loss) income	(38,530) [5]	(6,273) [6]	42,366 [7]	(4,651) [8]
(Loss) earnings per share				
Basic	(0.32)	(0.05)	0.38	(0.04)
Diluted	(0.32)	(0.05)	0.34	(0.04)
Fiscal year 2011				
Revenue and other income	77,265	67,096	33,596	23,035
Adjusted EBITDA	6,271	9,689	3,213	2,195
Adjusted EBITDA per share				
Basic	0.07	0.12	0.04	0.03
Diluted	0.06	0.09	0.03	0.03
Net (loss) income	(57,555) [9]	38,889 [10]	11,722 [11]	(2,404) [12]
(Loss) earnings per share				
Basic	(0.63)	0.47	0.15	(0.03)
Diluted	(0.63)	0.37	0.11	(0.03)

[3] The net income for the quarter ended June 30, 2013 includes $48 as a non-cash gain in net income representing the decrease in fair value of the contingent consideration liability and $1,889 of transaction and restructuring costs.
[4] The net income for the quarter ended March 31, 2013 includes $6,945 as a non-cash gain in net income representing the decrease in fair value of the contingent consideration liability and $523 of transaction and restructuring costs.
[5] The net income for the quarter ended December 31, 2012 includes $5,893 as a non-cash gain in net income representing the decrease in fair value of the contingent consideration liability, $27,421 of non-cash impairment charges and $2,780 of transaction and restructuring costs.
[6] The net income for the quarter ended September 30, 2012 includes $1,680 as a non-cash gain in net income representing the decrease in fair value of the contingent consideration liability and $3,861 of transaction and restructuring costs.
[7] 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.
[8] 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.
[9] 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.
[10] 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.
[11] 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.
[12] 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.



The Company has realized revenue growth in nine of the last ten quarters 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 accretive strategic initiatives has resulted in revenues increasing by 7.1% for the second quarter of 2013 as compared to the second quarter of 2012. Moreover, the Company's Adjusted EBITDA margin increased from 8.6% to 10.8% from the first quarter to the second quarter of 2013 driven mainly from a margin recovery in the Assessments segment which had previously been impacted by government regulatory reform in Ontario.

The volatility in net income (loss) quarter over quarter in the first and second quarters of 2013 and each quarter in 2012 and 2011 compared to previous quarters is largely due to the fluctuations in contingent consideration, transaction and restructuring costs and impairments. The Company is required to value the contingent consideration liabilities pursuant to its business combination activities. The Company's common share price has fluctuated significantly, affecting the quantum at which the contingent consideration liabilities are valued at the end of each reporting period. Transaction and restructuring costs are expensed as incurred. Transaction costs have increased proportionally with the size of the acquisitions completed, leading to increased charges against earnings in certain quarters in 2012 and 2011. Restructuring costs also increased in 2012 as the Company completed an initiative to right-size its assessment operations and also changed its President and Chief Executive Officer.

Adjusted EBITDA for the Company increased by $3,468 to $13,211 from the first quarter of 2013 to the second quarter of 2013. The Company experienced Adjusted EBITDA growth in every segment between the first and second quarters of 2013. Although the second quarter is typically the Company's strongest quarter, some of the growth can be attributed to strategic initiatives launched by the Company's new senior management team.

The Company's Adjusted EBITDA increased by $152 to $9,743 from the fourth quarter of 2012 to the first quarter of 2013. This increase is mainly a result of increased revenue over this period as the Company maintained a consistent Adjusted EBITDA margin of 8.6% over the two periods.

The Company's Adjusted EBITDA increased by $583 from the third quarter of 2012 to the fourth quarter of 2012. This increase was mainly a result of the Company realizing the benefit of its integration efforts. However, this increase was mitigated by a decline in Adjusted EBITDA for the surgical segment due to the closure of the surgical centers over the Christmas holiday period and due to the impact of management changes at the Company's surgical centre in Sarnia, Ontario.

The Company's Adjusted EBITDA declined by $3,446 to $9,008 for the third quarter of 2012. The decline in Adjusted EBITDA from the second quarter to the third quarter of 2012 can mainly be attributed to the reduction in surgeries in the surgical segment and a decrease in Adjusted EBITDA in the physiotherapy segment due to the seasonality associated with the Company's physiotherapy clinics. During the summer months, patients tend to have fewer physiotherapy treatments and healthcare professionals tend to take personal vacations.

The Company's Adjusted EBITDA increased by $675 from the first quarter to the second quarter of 2012 due mainly to the inclusion of the results of Motion Specialties.

The Company's Adjusted EBITDA increased by $5,508 to $11,779 from the fourth quarter of 2011 to the first quarter of 2012. This increase can be mainly attributed to the accretive earnings from Motion Specialties of $1,293 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.

Liquidity and Capital Resources

The Company's 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 $65,500 at June 30, 2013. Accounts receivable have increased since December 31, 2012 as a result of the overall increase in the Company's revenue in the first half of 2013. 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.

On April 18, 2013, the Company completed a $200,000 public offering of second lien senior secured notes which bear interest at 8.625% and mature on April 18, 2018. The second lien senior notes contain optional redemption features which are at the option of the Company commencing on April 18, 2016. The second lien senior secured notes include quarterly financial performance measurement covenants. The Company used the proceeds from this offering to repay $184,503 of its Term Loan and Revolving Credit Facility and $10,000 of preferred partnership units.

On April 18, 2013, the Company entered into an amended and restated credit agreement with its senior lenders. The amended and restated agreement revises the Company's Revolving Facility to a maximum borrowing limit of $50,000 which matures and is payable on June 9, 2015 and bears interest on a sliding scale from prime plus 1.5% to prime plus 3.75% for principal borrowed and a range of 0.63% to 1.19% for standby fees for amounts note borrowed. As part of the amended and restated agreement, the Company and its senior lenders also amended financial performance covenants for the remaining life of the agreement which concludes in June 2015. The Company utilized $20,000 of the Revolving Facility in the second quarter of 2013 to repay preferred partnership units. At June 30, 2013, the Company had borrowed $18,100 against the Revolving Facility.

The Company is subject to certain financial performance covenants as part of its banking agreement. The Company was in compliance with its financial performance covenants at June 30, 2013. The Company anticipates that it will generate sufficient cash flow from operations to meet its obligations as they come due. To meet new financial performance covenants resulting from the April 2013 amended and restated agreement, the Company will be required to achieve its expected operating results in future quarters. There can be no assurance that the Company will be successful in achieving these results.

In order to maintain or adjust its capital structure, the Company may seek additional financing through the issuance of new debt or equity securities, or by replacing existing debt with debt subject to more favorable terms.

Cash Flow

Cash flow activities for the three and six month periods ended June 30, 2013 were as follows:

Operating Activities

For the three and six month periods ended June 30, 2013, cash provided by operating activities was $6,464 and $6,661, compared to $8,003 for the three month period ended June 30, 2012 and a cash use of $2,900 for the six month period ended June 30, 2012. 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. Since this initiative, the Company has generated positive cash flows from operating activities for five consecutive quarters. In addition, included in operating activities are transaction and restructuring costs incurred of $1,889 and $2,413 for the three and six month periods ended June 30, 2013. Cash provided by operating activities, exclusive of transaction and restructuring costs, was $8,353 and $9,074 for the three and six month periods ended June 30, 2013.

Investing Activities

For the three and six month periods ended June 30, 2013, the Company used $2,319 and $5,298 for investing activities as compared to $3,167 and $22,695 for the three and six month periods ended June 30, 2012. This decrease in investing activities as compared to the prior year is due to the acquisition of Motion Specialties and five physiotherapy clinics in the first quarter of 2012. The Company's capital expenditures were $2,354 and $4,498 for the three and six month periods ended June 30, 2013 which is similar to the capital expenditures of $2,290 and $3,981 for the same periods in the prior year. The Company's operations tend to require minimal levels of capital investment.

$000's (except for per share amounts)

Financing Activities

During the six month period ended June 30, 2013, the Company repaid $188,253 for its Term Loan and original Revolving Facility from the net proceeds of $194,217 which were received from the issuance of second lien senior secured notes in April 2013. For the three and six month periods ended June 30, 2013, the Company borrowed an additional $18,100 from its restated and amended Revolving Facility. The Company utilized $30,000 from proceeds from the second lien senior secured notes and the restated and amended Revolving Facility to redeem preferred partnership units whose interest rate was higher than the Company's senior debt facilities. The Company paid $4,963 and $9,580 in cash interest on its borrowings for the three and six month periods ended June 30, 2013.

Contractual Commitments[4]

The Company's contractual commitments at June 30, 2013, are as follows:

	Total ($)	1 year ($)	2-3 years ($)	4-5 years ($)	Thereafter ($)
Second lien senior secured notes	200,000	—	—	200,000	—
Revolving facility	18,100	—	18,100	—	—
Operating leases	73,638	15,088	24,409	17,133	17,008
Interest payments on borrowings	86,757	21,207	34,500	31,050	—
Finance leases	645	478	167	—	—
	379,140	36,773	77,176	248,183	17,008
Preferred partnership units[5]	35,500	35,500	—	—	—
	414,640	72,273	77,176	248,183	17,008

[4] Contractual commitments are presented based on the Company's legal obligation to remit payment, except for the preferred partnership units which is presented based on the Company's intention to repay within the next twelve months. The Company does not have a legal obligation to repay the preferred partnership units until 2084.

[5] The Company does not have an obligation to redeem the preferred partnership units within one year but has presented this balance as repayable within one year as it is the Company's intention to repay this obligation prior to June 9, 2014. The preferred partnership units have a legal obligation to be repaid in 2084.

On April 18, 2013, the Company completed a $200,000 public offering of second lien senior secured notes which bear interest at 8.625% and mature on April 18, 2018.

In addition, the Company has a contractual obligation to pay Alaris annual distributions on preferred partnership units. On April 18, 2013, the Company repaid $22,500 of the preferred partnership units and on June 9, 2013 repaid $7,500 of the preferred partnership units. Alaris is entitled to annual distributions of $3,957 for the annual period commencing July 1, 2013 with annual increases of 4% at the end of each year thereafter. The principal amount grows at 4% annually from the third anniversary. Although the Company is not required to redeem the preferred partnership units within the next twelve months, the Company has presented this amount as a current liability as it is the Company's intention to redeem the preferred partnership units prior to the third anniversary, subject to agreements with senior lenders and the availability of financing at a lower rate.

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 $53,388 in convertible debt from public and private offerings which principal and interest the Company can elect to settle in common shares of the Company.

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

Equity

As at June 30, 2013, the Company had total shares outstanding of 145,981,068. The outstanding shares include 18,557,470 shares which are restricted or held in escrow and will be released to certain vendors of acquired businesses based on the achievement of certain performance targets. In the event that performance targets are not met, escrowed shares are subject to reduction based on formulas specific to each transaction. Escrowed shares are not reflected in the shares reported on the Company's financial statements. Accordingly, for financial reporting purposes, the Company reported 127,423,598 common shares outstanding as at June 30, 2013 and 121,389,445 shares outstanding at December 31, 2012.

During the three months ended June 30, 2013, the Company issued 97,488 common shares from treasury and released 129,383 common shares from escrow to the vendors of three physiotherapy clinics as consideration for the first year of the earn-out agreements for these acquisitions.

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

On May 28, 2013, the Company issued 100,000 restricted share units to management and employees which entitles the holders to 100,000 common shares of the Company over a three year vesting period. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.53 per share.

On March 15, 2013, the Company released 34,134 common shares to the vendors of London Scoping Centre as consideration for the first year of the earn-out agreement for this acquisition.

The earn-out period for the vendors of Classic Care ended on November 30, 2012. The Classic Care operations achieved the performance targets as outlined in the purchase agreement for this acquisition and as such the Company released 2,810,094 escrowed shares and 5,000,000 share purchase warrants to the vendors of Classic Care on February 12, 2013.

As a result of employment arrangements with the vendor of Performance Medical Group, the Company released 1,500,000 escrowed shares on February 5, 2013 to the vendor of Performance Medical Group.

On September 3, 2012, the Company issued 1,000,000 restricted shares to the Company's new CEO that vest over a four year period. On January 1, 2013, 200,000 of these restricted shares became freely tradeable.

As at June 30, 2013, there were a total of 8,683,500 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $1.38, expiring at various dates through 2017. The number of exercisable options at June 30, 2013, was 3,647,938 with a weighted average exercise price of $1.22.

As at June 30, 2013, there were a total of 1,707,707 restricted share units to grant an equivalent number of common shares, with a weighted average exercise price of $$0.59, expiring at various dates through 2016.

As at June 30, 2013, there were 33,078,390 warrants outstanding at a weighted average exercise price of $0.67. During the three and six month periods ended June 30, 2013, in addition to the 5,000,000 warrants issued to the vendors of Classic Care, there were 498,200 warrants that expired.

Should all outstanding options and warrants that were exercisable at June 30, 2013 be exercised, the Company would receive proceeds of $25,443.

As at the date of this report, August 13, 2013, the number of shares outstanding, including escrowed shares, is 150,808,381; the number of options outstanding is 8,383,500; the number of warrants outstanding is 33,078,390; and the number of restricted share units outstanding is 1,707,707. Included in the shares outstanding are 18,557,470 restricted shares, shares held in escrow, or in trust, and are not freely tradable.

Transactions with Related Parties

Related party transactions, in addition to those entered into with Company directors and management, have been entered into with GHIS and entities controlled and related to the shareholders of GHIS including Jamon Investments LLC ("Jamon"), who own 36,098,976 shares or approximately 25% of the issued and outstanding common shares of the Company at June 30, 2013. This ownership percentage disclosed assumes the issuance of 18,557,470 escrowed and restricted shares in the total common shares considered to be outstanding.

On March 21, 2013, GHIS and the Company negotiated an amended consulting agreement which eliminates the completion fee, removes the consulting fee for the year ended December 31, 2013, and amends the consulting fee to $75 per month from January 2014 to the completion of the agreement in June 2015. The Company issued 4,802,311 common shares to GHIS in July 2013 which is an equivalent of $2,150 in common shares of the Company to GHIS based on the five day value weighted average of the Company's share price immediately following the announcement of the Company's 2012 annual results. These common shares are subject to a one year hold period unless the Company's Board of Directors approves an earlier release date. The Company's shareholders approved the amended consulting agreement on May 9, 2013. The Company has recorded stock based compensation expense of $2,785 for the three and six month periods ended June 30, 2013 representing the fair value of the shares approved on May 9, 2013. On March 21, 2013, GHIS waived their consulting fees for the fourth quarter of 2012. On May 7, 2013, GHIS waived their consulting fees for the first quarter of 2013.

For the three and six month periods ended June 30, 2013, the Company incurred $39 and $50 (three and six month periods ended June 30, 2012 - $73 and $95) in GHIS travel and related expenses, $87 and $174 (three and six month periods ended June 30, 2012 - $122 and $197) in interest on related party amounts and $nil and $nil (three and six month periods ended June 30, 2012 - $300 and $600) in advisory fees and $nil and $nil (three and six month periods ended June 30, 2012 - $nil and $150) in completion fees.

Included in trade payables and other amounts at June 30, 2013 and December 31, 2012 are $4,392 and 4,976, respectively, due to GHIS; and $74 and $76, 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 subject to the Credit Agreement between the Company and its senior lenders. Any outstanding consulting fees which are unpaid bear interest at 8% per annum.

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 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 were repaid by June 30, 2013.

On September 3, 2012, the Company issued 1,000,000 restricted shares to the Company's CEO which vest over a four year period. Effective January 1, 2013, 200,000 of these restricted shares became freely tradeable.

Off-Balance Sheet Arrangements

As at June 30, 2013, the Company has no off-balance sheet arrangements.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

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

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

The Certifying Officers have concluded that, as at June 30, 2013, 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 uses the COSO control framework to evaluate the design of DC&P and ICFR.

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

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

There have been no significant changes to the Company's ICFR over the three month period ended June 30, 2013, which has materially affected, or is reasonably likely to materially affect the Company's ICFR.

Critical Accounting Estimates and Judgments

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

Significant critical accounting estimates include the collectability of receivables, assessment of impairment of goodwill and intangible assets 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.

The Company tests the valuation of goodwill and indefinite life intangibles as at December 31 of each year to determine whether or not any impairment in the goodwill and intangible balances recorded exists. In addition, on a quarterly basis, management assesses the reasonableness of assumptions used for the valuation to determine if further impairment testing is required. Management has determined, using the above-noted valuation methods, that there was no impairment to goodwill or indefinite life intangible assets as at June 30, 2013. The Company completed a reconciliation between their market capitalization and the fair value of their CGUs in order to confirm the conclusion reached.

Recognition of Contingent Consideration

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

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

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

Valuation of Deferred Tax Assets

In assessing the realization of deferred tax assets, the Company considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the period in which those temporary losses and tax loss carryforwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. 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, except for an unrecognized deferred tax asset of $3,500 which the Company has not recorded for the three and six month periods ended June 30, 2013 in respect of certain non-capital losses.

Accounting Changes

Effective January 1, 2013, the Company adopted the following accounting standards:

IFRS Standard 7, *Financial Instruments: Disclosures ("IFRS 7")* which has been amended to establish disclosure requirements to help users better assess the effect or potential effect of offsetting arrangements on a company's statement of financial position.

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

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

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

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

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

IAS 28 *Investments in Associates and Joint Ventures* (“IAS 28”) is a consequence of the issue of IFRS 10, IFRS 11, IFRS 12 and IFRS 13, IAS 28 has been amended to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The adoption of these standards did not impact the measurement of balances on the Company's condensed unaudited interim consolidated financial statements. The Company has included additional note disclosures, where applicable, in the condensed unaudited interim consolidated financial statements as a result of adopting these standards.

Effective January 1, 2013, the Company amended its policy for capitalizing surgical inventory. The Company will now include in inventory all surgical inventory irrespective of initial cost, whereas previously the Company expensed any individual surgical items with a value less than $500 (actual dollars). As a result of changing this accounting policy, the Company has increased its opening inventory and retained deficit balances by $765.

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).

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.

The Company is included in proceedings as part of the Designated Physiotherapy Clinics Association of Ontario who are seeking a judicial review of proposed regulatory changes announced by the Ontario Ministry of Health in April 2013 related to physiotherapy services for seniors. On July 26, 2013, the proposed changes were suspended by the Ontario Divisional Court, meaning business as usual until this case is being heard by a three judge panel on August 21, 2013. The potential impact of these proposed regulatory changes, should they be implemented, can not be fully determined prior to the outcome of this hearing.

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.

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 healthcare 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.

Credit Risk and Economic Dependence

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

Acquisitions and Integration

The Company expects 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.

The Company has stated that it its intention is to repay preferred partnership prior to their third anniversary. The Company's ability to make this repayment is dependent on the Company's free cash flow and the completion of alternative financing arrangements with more favorable terms. There can be no certainty that the Company can generate the cash requirements to make this repayment prior to the third anniversary date, however **the Company has no legal obligation to repay the preferred partnership units by the third anniversary date**. If the Company's determines that this intention can not be met as reported, the Company will establish a new timeline for the repayment of the preferred partnership units. There is no legal obligation to repay the preferred partnership units until 2084.

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.

Proposed Transactions

Please see subsequent events for proposed transactions.

Subsequent Events

On July 31, 2013, the Company announced a strategic alliance with Vancouver Imaging to provide imaging services at the Company's False Creek location in Vancouver, B.C. for a period of five years. In addition, under the alliance the Company and Vancouver Imaging will jointly explore other imaging opportunities across Canada.

On August 2, 2013, the Company announced that it had established two specialized Centres of Excellence at the Company's False Creek location in Vancouver, B.C. in nasal and sinus and woman's urology. In addition, the Company announced that it has launched an Extended Care Patient Network which offers patients broader access to a variety of healthcare services via a network of leading healthcare providers across Canada with the intent of reducing wait times and providing patients with choice and early intervention. On August 12, 2013, the Company also announced the launch of its first Triage Assessment Program at the Rouge Valley Hospital in Toronto, Ontario.

Additional Information

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

Unaudited Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2013 and 2012

(in thousands of Canadian dollars)

Dated: August 13, 2013

Index

Centric Health Corporation
Unaudited Interim Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	**June 30, 2013**	December 31, 2012 (Restated - note 1)
	$	$
Assets		
Current assets		
Cash and cash equivalents	**—**	594
Trade and other receivables	**65,500**	58,325
Inventories (note 4)	**29,030**	27,729
Income taxes recoverable	**—**	187
Prepaid expenses	**2,448**	2,258
	96,978	89,093
Non-current assets		
Property and equipment (note 7)	**25,180**	25,002
Goodwill and intangible assets (note 7)	**340,503**	353,720
Deferred income tax assets (note 10)	**18,795**	18,285
Loans receivable	**294**	444
Investments in franchisees	**208**	208
Total assets	**481,958**	486,752
Liabilities		
Current liabilities		
Bank indebtedness	**62**	—
Trade payables and other amounts (notes 12 and 13)	**63,801**	66,186
Current portion of borrowings (note 8)	**4,800**	19,576
Current portion of finance lease liabilities	**478**	911
Current portion of contingent consideration (note 6)	**3,597**	5,389
Current portion of preferred partnership units (note 9)	**35,500**	—
Income taxes payable	**1,728**	—
	109,966	92,062
Non-current liabilities		
Borrowings (note 8)	**247,720**	184,612
Preferred partnership units (note 9)	**—**	65,500
Contingent consideration (note 6)	**3,109**	11,580
Finance lease liabilities	**167**	256
Deferred income tax liabilities (note 10)	**20,950**	26,932
Deferred lease incentives	**2,388**	1,472
Derivative liability portion of convertible borrowings (note 8)	**2,941**	8,409
Derivative financial instruments (note 8)	**36**	823
Total liabilities	**387,277**	391,646
Equity		
Share capital (note 14)	**95,780**	92,201
Warrants	**6,674**	6,256
Contributed surplus	**11,768**	7,928
Equity portion of convertible borrowings	**6,498**	6,498
Accumulated other comprehensive income (loss)	**38**	201
Deficit	**(26,956)**	(18,731)
Equity attributable to shareholders of Centric Health Corporation	**93,802**	94,353
Non-controlling interests	**879**	753
Total equity	**94,681**	95,106
Total liabilities and equity	**481,958**	486,752

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

Centric Health Corporation
Unaudited Interim Consolidated Statements of Income and Comprehensive 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,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Revenue	**122,184**	114,123	**235,465**	218,376
Cost of healthcare services and supplies	**61,333**	56,401	**118,896**	109,809
General and administrative expenses (note 3)	**60,098**	52,101	**116,407**	98,675
Transaction and restructuring costs (note 5)	**1,889**	2,454	**2,413**	4,781
Loss (income) from operations	**(1,136)**	3,167	**(2,251)**	5,111
Interest expense (note 11)	**12,568**	5,584	**19,486**	10,654
Change in fair value of derivative financial instruments (note 8)	**426**	(5)	**(3,459)**	(157)
Change in fair value of contingent consideration liability (note 6)	**(48)**	(44,993)	**(6,993)**	(43,591)
(Loss) income before income taxes	**(14,082)**	42,581	**(11,285)**	38,205
Income tax (recovery) expense (note 10)	**(1,721)**	215	**(3,296)**	490
Net (loss) income	**(12,361)**	42,366	**(7,989)**	37,715
Other comprehensive income:				
Amortization of deferred gain on interest rate swaps	**(143)**	—	**(163)**	—
Change in fair value of interest rate swaps designated as hedges (note 8)	**—**	807	**—**	(314)
Comprehensive (loss) income	**(12,218)**	41,559	**(7,826)**	38,029
Net (loss) income attributable to:				
Shareholders of Centric Health Corporation	**(12,423)**	42,326	**(8,225)**	37,590
Non-controlling interests	**62**	40	**236**	125
Comprehensive (loss) income attributable to:				
Shareholders of Centric Health Corporation	**(12,280)**	41,519	**(8,062)**	37,904
Non-controlling interests	**62**	40	**236**	125
Basic (loss) earnings per common share	**($0.10)**	$0.38	**($0.06)**	$0.35
Diluted (loss) earnings per common share	**($0.10)**	$0.34	**($0.06)**	$0.29
Weighted average number of common shares outstanding (in thousands) (note 14)				
Basic	**126,698**	112,370	**125,355**	109,123
Diluted	**183,873**	126,288	**183,056**	131,505

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

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

	Number of shares[1]	Amount $	Warrants $	Contributed surplus $	Equity portion of convertible borrowings $	AOCI[2] $	Retained earnings (deficit) $	Equity attributable to the shareholders of Centric Health Corporation $	Non-controlling interest $	Total $
Balance at December 31, 2011	**98,220,254**	**62,525**	**4,593**	**4,259**	**843**	**(73)**	**(12,238)**	**59,909**	**481**	**60,390**
Options exercised	587,500	432	—	(151)	—	—	—	281	—	281
Public 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 or issued as contingent consideration	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 expense	(600,000)	(540)	—	2,226	—	—	—	1,686	—	1,686
Non-controlling interest purchase price allocation adjustment	—	—	—	—	—	—	—	—	(398)	(398)
Net income for the year	—	—	—	—	—	—	37,590	37,590	125	37,715
Balance at June 30, 2012	**112,846,505**	**85,655**	**6,253**	**5,852**	**7,060**	**241**	**25,352**	**130,413**	**208**	**130,621**
Balance at December 31, 2012 (restated - note 1)	121,389,445	92,201	6,256	7,928	6,498	201	(18,731)	94,353	753	95,106
Options and restricted share units vested and issued	1,263,054	709	—	(150)	—	—	—	559	—	559
Shares released from escrow and warrants issued as contingent consideration	3,071,099	1,738	668	—	—	—	—	2,406	—	2,406
Shares released from escrow for compensation	1,500,000	915	—	—	—	—	—	915	—	915
Expiry of warrants	—	—	(297)	297	—	—	—	—	—	—
Settlement of interest rate swap	—	—	—	—	—	(138)	—	(138)	—	(138)
Amortization of deferred gain on interest rate swap	—	—	—	—	—	(25)	—	(25)	—	(25)
Deferred compensation expense	200,000	217	47	3,693	—	—	—	3,957	—	3,957
Payments to non-controlling interests	—	—	—	—	—	—	—	—	(110)	(110)
Net (loss) income for the period	—	—	—	—	—	—	(8,225)	(8,225)	236	(7,989)
Balance at June 30, 2013	**127,423,598**	**95,780**	**6,674**	**11,768**	**6,498**	**38**	**(26,956)**	**93,802**	**879**	**94,681**

[1] Excludes 18,557,470 of contingent shares held in escrow and restricted shares at June 30, 2013 (note 14).

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

The accompanying notes are an integral part of these 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,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Cash provided by (used in):				
Operating activities				
Net (loss) income for the period	**(12,361)**	42,366	**(7,989)**	37,715
Adjustments for:				
Interest expense (note 11)	**12,568**	5,584	**19,486**	10,654
Change in fair value of derivative financial instruments (note 8)	**426**	(5)	**(3,459)**	(157)
(Gain) loss on disposal of property and equipment	**—**	—	**(5)**	44
Depreciation of property and equipment	**2,032**	1,743	**3,781**	3,364
Amortization of finite-life intangible assets	**6,846**	4,576	**13,658**	9,188
Amortization of lease incentives	**105**	(24)	**137**	59
Leasehold inducements	**158**	79	**780**	130
Income taxes paid	**(936)**	(1,511)	**(1,168)**	(4,233)
Income tax (recovery) expense	**(1,721)**	215	**(3,296)**	490
Stock-based compensation expense	**3,475**	538	**5,222**	1,686
Change in the fair value of contingent consideration liability (note 6)	**(48)**	(44,993)	**(6,993)**	(43,591)
Net change in non-cash working capital items (note 19)	**(4,080)**	(565)	**(13,493)**	(18,249)
Cash provided by (used in) operating activities	**6,464**	8,003	**6,661**	(2,900)
Investing activities				
Purchase of intangible assets (note 7)	**(412)**	(15)	**(542)**	(248)
Purchase of property and equipment (note 7)	**(1,942)**	(2,275)	**(3,956)**	(3,733)
Acquisition of businesses (note 5)	**125**	(114)	**(86)**	(17,649)
Payment of contingent consideration (note 6)	**(176)**	(851)	**(864)**	(1,197)
Decrease in loans receivable from franchisees	**86**	88	**150**	132
Cash used in investing activities	**(2,319)**	(3,167)	**(5,298)**	(22,695)
Financing activities				
Interest paid	**(4,963)**	(4,946)	**(9,580)**	(9,509)
Repayment of borrowings	**(184,503)**	(18,125)	**(188,253)**	(21,250)
Proceeds from second lien senior secured notes, net of loan arrangement costs	**194,217**	—	**194,217**	—
Proceeds from Term Loan and Revolver Facility, net of loan arrangement costs	**3,982**	6,471	**14,945**	42,205
Proceeds from new Revolving Facility (note 8)	**18,100**	—	**18,100**	—
Repayment of preferred partnership units (note 9)	**(30,000)**	—	**(30,000)**	—
Repayment of finance leases	**(305)**	(381)	**(522)**	(742)
Payments to non-controlling interests	**(29)**	—	**(110)**	—
Proceeds on disposal of property and equipment	**—**	—	**5**	—
Settlement of interest rate swaps (note 8)	**(966)**	—	**(966)**	—
Issuance of common shares, warrants and convertible debt, net of issuance costs	**207**	15,237	**207**	17,982
Cash (used in) provided by financing activities	**(4,260)**	(1,744)	**(1,957)**	28,686
(Decrease) increase in cash and cash equivalents	**(115)**	3,092	**(594)**	3,091
Cash and cash equivalents, beginning of period	**115**	406	**594**	407
Cash and cash equivalents, end of period	**—**	3,498	**—**	3,498

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

1. Significant Accounting Policies

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.

These condensed unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2013 and 2012 have been prepared 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"). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have not been included or have been condensed. The unaudited interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS.

These financial statements were approved by the Board of Directors on August 13, 2013.

The accounting policies applied in these 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, 2012, except as described below. The Company's accounting 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 total annual earnings.

Adoption of new accounting standards

Effective January 1, 2013, the Company adopted the following accounting standards:

IFRS Standard 7, *Financial Instruments: Disclosures ("IFRS 7")* which has been amended to establish disclosure requirements to help users better assess the effect or potential effect of offsetting arrangements on a company's statement of financial position.

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

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

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

1. Significant Accounting Policies - continued

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

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

IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28") is a consequence of the issue of IFRS 10, IFRS 11, IFRS 12 and IFRS 13, IAS 28 has been amended to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The adoption of these standards did not impact the measurement of balances on the Company's condensed unaudited interim consolidated financial statements. The Company has included additional note disclosures, where applicable, in the unaudited interim consolidated financial statements as a result of adopting these standards.

Change in accounting policy

Effective January 1, 2013, the Company amended its policy for capitalizing surgical inventory. The Company will now include in inventory all surgical inventory irrespective of initial cost, whereas previously the Company expensed any individual surgical items with a value less than $500 (actual dollars). As a result of changing this accounting policy, the Company has increased its opening inventory and decreased its retained deficit balances by $765.

New accounting standards that have been issued but are not yet effective

The impact of new standards, amendments to standards, and interpretations that have been issued but are not yet effective for financial periods ending before or on December 31, 2013 that have not been early adopted are discussed in the Company's annual financial statements for the year ended December 31, 2012.

2. 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 Revolving Credit Facilities, second lien senior secured notes, convertible debts, preferred partnership units and contingent consideration. In addition to the cash flow generated by operations, the Company relies on debt and equity financing from both arm's length and related parties to execute on its stated business strategy. In order to maintain or adjust its capital structure, the Company may seek financing through the issuance of new debt or equity securities, or by replacing existing debt with debt on terms more consistent with the Company's needs.

(in thousands of Canadian dollars)

2. Capital Management and Financing - continued

The Company forecasts cash flows for its current and subsequent fiscal years to project future financial requirements. In anticipation of changes in the Company's capital requirements in 2012 and 2013, on October 21, 2011, the Company filed a base shelf prospectus. The base shelf prospectus provides for the Company to raise new capital through the issuance of up to $265,500 in convertible debt securities, common shares or share purchase warrants.

The Company completed prospectus supplements under this base shelf prospectus or private placements as follows:

- in the fourth quarter of 2011 and the first quarter of 2012, the Company completed a prospectus supplement for the issuance of units for gross proceeds of $13,610;
- in May 2012, the Company completed a private placement for $15,000 of subordinated, unsecured convertible notes;
- in September 2012, the Company completed a prospectus supplement for the issuance of convertible notes for gross proceeds of $27,500; and
- in April 2013, the Company completed a prospectus supplement for the issuance of second lien senior secured notes for gross proceeds of $200,000.

The net proceeds from the April 2013 financing were used to repay the Company's Term Loan and Revolving Facility and to repay $10,000 of preferred partnership units. In addition, the Company amended and restated the existing credit agreement to provide a new Revolving Facility with a limit of $50,000. The Company repaid an additional $20,000 of preferred partnership units through an equivalent draw on the new Revolving Facility. The new Revolving Facility includes amended financial performance covenants through to its maturity in June 2015. Further details of these transaction are discussed in notes 8 and 9.

The Company is subject to certain financial covenants under its Revolving Facility. The Company was in compliance with its financial performance covenants at June 30, 2013.

The Company anticipates that it will generate sufficient cash flow from operations to meet its obligations as they come due.

3. General and Administrative Expenses

The components of general and administrative expenses are as follows:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2013	2012	**2013**	2012
	$	$	**$**	$
Employee costs	**28,390**	25,329	**54,992**	46,808
Other operating expenses	**15,428**	15,777	**30,983**	29,345
Corporate office expenses	**3,927**	4,138	**7,776**	8,240
Depreciation and amortization	**8,878**	6,319	**17,439**	12,552
Stock-based compensation expense	**3,475**	538	**5,222**	1,686
(Gain) loss on disposal of property and equipment	**—**	—	**(5)**	44
	60,098	52,101	**116,407**	98,675

(in thousands of Canadian dollars)

4. Inventories

The Company's inventory balances as at June 30, 2013 and December 31, 2012 consisted of the following:

	June 30, 2013	December 31, 2012 (Restated - note 1)
	$	$
Retail and home medical equipment	**23,909**	22,232
Medical supplies and prescription drugs	**5,121**	5,497
	29,030	27,729

There were no reversals of inventory provisions for the three month periods ended June 30, 2013 and 2012. Inventories are pledged as security as part of the Company's lending agreements as outlined in note 8.

5. Business Combinations

On January 4, 2013, the Company acquired the assets of a retail and home medical equipment store for cash consideration of $187. The identifiable acquired assets were inventory of $184 and property and equipment of $3.

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 and start-up costs for new initiatives, are expensed as incurred. Transaction costs for the three and six month periods ended June 30, 2013 were $105 and $128 (three and six month periods ended June 30, 2012 - $1,158 and $2,066). Start-up costs for new initiatives are costs incurred by the Company for a new business initiative prior to this initiative generating any revenue. Start-up costs for new initiatives for the three and six month periods ended June 30, 2013 were $251 and $351, (three and six month periods ended June 30, 2012 - $nil and $nil).

Restructuring costs for the three and six month periods ended June 30, 2013 include costs associated with closed clinic locations and other staffing reductions. Restructuring costs for the three and six month periods ended June 30, 2013 were $1,533 and $1,934 (three and six month periods ended June 30, 2012 - $1,296 and $2,715).

At June 30, 2013, the Company had accrued liabilities related to restructuring costs of $2,956 (December 31, 2012 - $4,632) included in trade and other payables consisting of the following:

	Severance $	**Closed Locations $**	**Other $**	**Total $**
Balance at December 31, 2012	2,633	1,567	432	**4,632**
Additions	1,467	61	406	**1,934**
Payments	(2,488)	(404)	(718)	**(3,610)**
Balance at June 30, 2013	**1,612**	**1,224**	**120**	**2,956**

(in thousands of Canadian dollars)

5. Business Combinations - continued

2012 Acquisitions

The purchase price and fair value of the net assets acquired for the Company's 2012 acquisitions are as follows:

Purchase price	**Motion Specialties $**	**Physiotherapy Clinics $**	**Retail and Home Medical Stores $**	**Pharmacy $**	**Total $**
Cash consideration	13,896	2,727	2,274	450	**19,347**
Common shares	5,977	163	—	—	**6,140**
Contingent consideration	21,034	1,603	—	—	**22,637**
Total	**40,907**	**4,493**	**2,274**	**450**	**48,124**

Fair value of net assets acquired	**Motion Specialties $**	**Physiotherapy Clinics $**	**Retail and Home Medical Stores $**	**Pharmacy $**	**Total $**
Current assets	35,706	566	1,504	362	**38,138**
Property and equipment	3,793	311	100	7	**4,211**
Goodwill	13,410	3,297	585	358	**17,650**
Intangibles	17,086	735	356	—	**18,177**
Deferred tax liabilities	(3,280)	(169)	—	—	**(3,449)**
Other non-current assets	—	21	—	—	**21**
Less: liabilities assumed	25,808	268	271	277	**26,624**
Total	**40,907**	**4,493**	**2,274**	**450**	**48,124**

Included in current assets for Motion Specialties are accounts receivable of $18,542 and inventory of $16,389. The purchase price allocations for Motion Specialties and Physiotherapy clinics are final. The purchase price for the retail and home medical stores and pharmacy acquisitions are preliminary in nature as the Company has yet to finalize. During the six month period ended June 30, 2013, the Company recorded adjustments of $529 to goodwill in finalizing its purchase price allocations. These adjustments were for reductions in cash and contingent consideration of $98 and $125 respectively, working capital adjustments of $50 and reallocation to intangible assets of $356.

(in thousands of Canadian dollars)

6. Contingent Consideration

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

Acquired entity	Acquisition date	Performance term	Contingent Cash Consideration $	Issuable common shares	Issuable outperformance warrants[3]	Range of value of contingent consideration $	Probability to achieve contingent consideration cash and common shares	Contingent consideration liability at June 30, 2013 $
Blue Water	Aug. 17, 2011	3 years	—	6,153,846	3,076,923	0 – 1,516	0%	—
Performance	Dec. 8, 2011	2 years	—	1,500,000	2,000,000	0 – 626	0%	—
Motion Specialties	Feb. 13, 2012	3 years	10,000	9,004,641	7,500,000	0 – 11,802	50%	**5,739**
Other	Various	3 years	498	4,387,760	2,035,934	0 – 1,172	0% - 100%	**967**
Total			**10,498**	**21,046,247**	**14,612,857**	**0 – 15,116**		**6,706**

[3] The issuable outperformance warrants will only be issued to the vendors of the transaction to the extent that the acquired business outperforms their warranted earnings before interest, taxes, depreciation and amortization as established in the respective transaction agreements.

The maximum possible contingent consideration is an estimate. For the purposes of the disclosure above, the maximum possible contingent consideration has been valued at $15,116 based on the share price of the Company's common shares on June 30, 2013 ($0.44 per share) less a discount to reflect that the shares are not freely tradable.

During the three months ended June 30, 2013, the Company issued 97,488 common shares from treasury and released 129,383 common shares from escrow to the vendors of three physiotherapy clinics as consideration for the first year of the earn-out agreements for these acquisitions.

On March 15, 2013, the Company released 34,134 common shares to the vendors of London Scoping Centre as consideration for the first year of the earn-out agreement for this acquisition.

On February 12, 2013, the Company released 2,810,094 common shares and 5,000,000 share purchase warrants to the vendors of Classic Care Pharmacy Corporation.

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

	Classic Care $	Motion Specialties $	Other $	Total $
Balance at December 31, 2012:	2,618	11,980	2,371	**16,969**
Change in fair value during the period	(348)	(6,241)	(404)	**(6,993)**
Contingent consideration settled in shares	(1,602)	—	(136)	**(1,738)**
Contingent consideration settled in warrants	(668)	—	—	**(668)**
Contingent consideration settled in cash	—	—	(864)	**(864)**
Total contingent consideration	**—**	**5,739**	**967**	**6,706**
Less: current portion	**—**	**2,887**	**710**	**3,597**
Non-current portion at June 30, 2013	**—**	**2,852**	**257**	**3,109**

The above table includes contingent consideration payable in cash, subject to achieving performance milestones, in the amount of $4,963 at June 30, 2013 of which $2,637 may be payable within one year.

(in thousands of Canadian dollars)

7. Goodwill, Intangible Assets and Property and Equipment

	Goodwill $	Intangible Assets $	Total $	Property and Equipment $
Year ended December 31, 2011	205,295	156,818	362,113	20,586
Additions	—	331	331	7,928
Acquisitions	18,179	17,821	36,000	4,211
Finance leases	—	—	—	188
Disposals	—	—	—	(432)
Purchase price allocation adjustment	10,559	378	10,937	(378)
Amortization	—	(28,340)	(28,340)	(7,101)
Impairment	(20,688)	(6,633)	(27,321)	—
Year ended December 31, 2012	**213,345**	**140,375**	**353,720**	**25,002**
Additions	—	542	542	3,956
Acquisitions	—	—	—	3
Disposals	—	—	—	—
Purchase price allocation	(457)	356	(101)	—
Amortization	—	(13,658)	(13,658)	(3,781)
Six month period ended June 30, 2013	**212,888**	**127,615**	**340,503**	**25,180**
As at December 31, 2012				
Cost	284,033	190,672	474,705	38,460
Accumulated amortization and impairment	(70,688)	(50,297)	(120,985)	(13,458)
Net carrying value	**213,345**	**140,375**	**353,720**	**25,002**
As at June 30, 2013				
Cost	**283,576**	**191,570**	**475,146**	42,419
Accumulated amortization and impairment	**(70,688)**	**(63,955)**	**(134,643)**	(17,239)
Net carrying value	**212,888**	**127,615**	**340,503**	**25,180**

The Company has $14,572 of indefinite life intangible assets at June 30, 2013 (December 31, 2012 - $14,572).

(in thousands of Canadian dollars)

8. Borrowings

Borrowings consist of the following:

	June 30, 2013	December 31, 2012
	$	$
Term Loan	**—**	127,500
Second lien senior secured notes	**200,000**	—
Loan arrangement costs[4]	**(4,966)**	(5,202)
Revolving Facility	**18,100**	45,477
Convertible debt	**53,388**	53,388
Unaccreted discount on convertible debt	**(18,339)**	(20,011)
Fair value of redemption features[5]	**(463)**	(1,540)
Related party convertible loan (note 13)	**5,000**	5,000
Unaccreted discount on related party convertible loan (note 13)	**(200)**	(424)
Total borrowings	**252,520**	204,188
Less: current portion of borrowings	**4,800**	19,576
Total non-current borrowings	**247,720**	184,612

[4] Included in loan arrangement costs at December 31, 2012 were financing fees associated which GHIS as described in note13 which were being amortized over the life of the Term Loan. Included in loan arrangement fees at June 30, 2013 is an initial non-cash fair value increment of $753 which is being amortized over the life of the second lien senior secured notes.

[5] Fair value of redemption feature is an embedded derivative in the private placement and second lien senior secured notes which is netted against the debt amount for presentation purposes.

On April 18, 2013, the Company completed a $200,000 public offering of second lien senior secured notes which bear interest at 8.625% with the principal due on April 18, 2018. There are no principal repayments required for the second lien senior secured notes prior to maturity. The second lien senior notes contain certain redemption features which are at the option of the Company commencing on April 18, 2016. These redemption features are considered embedded derivatives that have been valued at $753 at inception and included in the fair value of the redemption feature of $463 at June 30, 2013. The second lien senior secured notes include certain restrictions on the Company's ability to take on additional indebtedness based on its financial performance. The Company used the proceeds from this offering to repay its Term Loan and Revolving Facility and repay $10,000 of preferred partnership units.

On April 18, 2013, the Company entered into an amended and restated credit agreement to establish a new Revolving Facility with a maximum borrowing limit of $50,000 and matures on June 9, 2015. The new Revolving Facility bears interest on a sliding scale from prime plus 1.5% to prime plus 3.75% for principal borrowed and a range of 0.63% to 1.19% for standby fees for amounts not borrowed. The new Revolving Facility includes quarterly financial performance measurement covenants. On April 18, 2013, the Company utilized $12,500 of the new Revolving Facility to repay preferred partnership units. On June 9, 2013, the Company utilized another $7,500 of the new Revolving Facility to repay the preferred partnership units.

(in thousands of Canadian dollars)

8. Borrowings - continued

Substantially all of the Company's assets are pledged as security for the above borrowings with first security provided to the lenders of the Revolving Credit Facility, followed by holders of the second lien senior secured notes.

The Company's convertible debt at June 30, 2013, excluding related party convertible debt, consists of the following:

Debt instrument	**Principal $**	**Maturity**	**Interest Rate**
Directed share program	10,888	December 22, 2016	6.00%
Private placement	15,000	April 30, 2016	5.50%
Public debt	27,500	October 31, 2017	6.75%
	53,388		

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

	For the six month period ended June 30, 2013	For the year ended December 31, 2012
	$	$
Unaccreted discount on convertible borrowings, beginning of period	**20,011**	3,761
Additional discounts from convertible debt	**—**	18,179
Accretion expense	**(1,672)**	(1,929)
Unaccreted discount on convertible borrowings, end of period	**18,339**	20,011

The Company entered into interest rate swap agreements with face values of $75,000, $25,000 and $13,924. The interest rate swaps for $75,000 and $25,000 mature in June 2015 and have previously been designated as effective hedges. The Company de-designated these swaps as effective hedges on July 1, 2012 and as a result all subsequent changes in the fair value of these swaps have been included as part of the statements of comprehensive income. The accumulated other comprehensive income balance related to these interest rate swaps have been amortized to the statement of comprehensive income over the remaining life of the interest rate swaps. The interest rate swap for $13,924 matures in March 2015 and has not been designated as an effective hedge. On April 18, 2013, the Company settled the interest rate swaps with face values of $75,000 and $13,924 for $966. At June 30, 2013, the fixed interest rate on the Company's interest rate swap was approximately 5.12% and the floating interest rate was based on the three month Canadian Bankers' Acceptance rate.

(in thousands of Canadian dollars)

8. Borrowings - continued

The continuity of the redemption features are as follows:

	For the six month period ended June 30, 2013	For the year ended December 31, 2012
	$	$
Redemption feature, beginning of period	**(1,540)**	—
Redemption feature from convertible debt	**—**	(3,140)
Redemption feature from second lien senior notes	**(753)**	—
Change in fair value of redemption features	**1,830**	1,600
Redemption features, end of period	**(463)**	(1,540)

The change in fair value of derivative financial instruments for the three month periods ended June 30, 2013 and 2012 are as follows:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2013 $	2012 $	**2013 $**	2012 $
Change in fair value of interest rate swaps	**29**	(5)	**179**	(157)
Change in fair value of redemption feature	**1,007**	—	**1,830**	—
Change in fair value of derivative liability portion of convertible borrowings	**(610)**	—	**(5,468)**	—
	426	(5)	**(3,459)**	(157)

The continuity of the derivative financial instruments is as follows:

	For the six month period ended June 30, 2013	For the year ended December 31, 2012
	$	$
Derivative financial instruments, beginning of year	**823**	1,812
Change in fair value of interest rate swaps	**179**	(675)
Settlement of interest rate swaps	**(966)**	—
Change in fair value of interest rate swaps designated as hedges	**—**	(314)
Derivative financial instruments, end of year	**36**	823

(in thousands of Canadian dollars)

8. Borrowings - continued

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

	For the six month period ended June 30, 2013	For the year ended December 31, 2012
	$	**$**
Derivative liability portion of convertible borrowings, beginning of year	**8,409**	1,603
Directed share program[6]	**—**	432
Public debt[6]	**—**	9,246
Change in fair value of derivative liability portion of convertible borrowings	**(5,468)**	(2,872)
Derivative liability portion of convertible borrowings, end of year	**2,941**	8,409

[6] Balances are net of transaction costs.

The fair value of the derivative liability portion of convertible borrowings is based on a modified Black-Scholes valuation method. The key valuation assumptions at June 30, 2013 are as follows:

	Directed share program	**Public debt**	**Private placement redemption feature**
Expected volatility	54.69%	54.69%	54.69%
Risk-free interest rate	1.92%	2.11%	1.76%
Credit spread	17.88%	17.88%	17.88%

9. Preferred Partnership Units

The debt of $35,500 represents preferred partnership units issued by LifeMark to Alaris. There were $65,500 units that were assumed on the acquisition of LifeMark on June 9, 2011. On April 18, 2013, the Company repaid $22,500 of the preferred partnership units and on June 9, 2013 repaid $7,500 of the preferred partnership units as described in note 8. Alaris is entitled to annual distributions of $3,957 for the annual period commencing July 1, 2013 with annual increases of 4% at the end of each year thereafter. The principal amount grows at 4% annually from the third anniversary. Although the Company is not required to redeem the preferred partnership units within the next twelve months, the Company has presented this amount as a current liability as it is the Company's intention to redeem the preferred partnership units prior to the third anniversary, subject to agreements with senior lenders and the availability of financing at a lower rate.

(in thousands of Canadian dollars)

10. 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 25.4% (December 31, 2012 - 26.5%) due to permanent and timing differences. Permanent differences arise related to contingent consideration as these amounts have been recorded for accounting purposes but will never be realized as a deduction for income tax purposes.

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

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

	June 30, 2013	December 31, 2012
	$	$
Deferred income tax asset	**18,795**	18,285
Deferred income tax liability	**20,950**	26,932
Net deferred income tax liabilities	**(2,155)**	(8,647)

At June 30, 2013, the Company recorded $2,329 (December 31, 2012 $1,527) in trade and other receivables related to Scientific Research and Experimental Development ("SRED") tax incentives.

As at June 30, 2013 and December 31, 2012, the Company had $57,067 and $45,354, respectively of gross tax loss carryforwards. The Company expects that future operations will generate sufficient taxable income to realize the deferred tax assets except for an unrecognized deferred tax asset of $3,500 which the Company has not recorded at June 30, 2013 and December 31, 2012 in respect of certain non-capital losses. At June 30, 2013 and December 31, 2012, deferred tax assets of $80 were not recognized for capital losses for which the Company does not expect to realize the related benefit.

(in thousands of Canadian dollars)

11. Interest Expense

Interest expense for the three and six month periods ended June 30, 2013 and 2012 is comprised of the following:

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2013 **$**	2012 $	**2013** **$**	2012 $
Interest on long-term loan, revolving facilities and second lien senior secured notes	**4,357**	2,872	**7,138**	5,480
Amortization of loan arrangement fees	**5,184**	440	**5,682**	830
Interest on related party amounts	**162**	75	**323**	150
Accretion of related party loan discounts	**115**	92	**224**	191
Interest on capital leases	**19**	28	**31**	57
Amortization of deferred gain on interest rate swap	**(143)**	—	**(163)**	—
Interest on convertible debt	**801**	313	**1,592**	476
Accretion on convertible debt	**842**	78	**1,673**	124
Interest expense before distributions for preferred partnership units	**11,337**	3,898	**16,500**	7,308
Distributions for preferred partnership units	**1,238**	1,687	**2,993**	3,375
Total interest expense	**12,575**	5,585	**19,493**	10,683
Interest income	**(7)**	(1)	**(7)**	(29)
Net interest expense	**12,568**	5,584	**19,486**	10,654

12. Trade Payables and Other Amounts

Trade and other payables at June 30, 2013 and December 31, 2012 are comprised of the following:

	June 30, 2013	December 31, 2012
	$	$
Trade payables	**30,269**	33,243
Accrued liabilities	**25,396**	21,839
Deferred revenue	**788**	1,496
Amounts payable to GHIS (note 13)	**4,392**	4,976
Restructuring costs (note 5)	**2,956**	4,632
	63,801	66,186

13. 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, 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 and related to the shareholders of GHIS including Jamon Investments LLC ("Jamon"), who own 36,098,976 shares or approximately 25% of the issued and outstanding common shares of the Company as of June 30, 2013. This ownership percentage disclosed assumes the issuance of 18,557,470 escrowed and restricted shares in the total common shares considered to be outstanding.

On March 21, 2013, GHIS and the Company negotiated an amended consulting agreement which eliminates the completion fee, removes the consulting fee for the year ended December 31, 2013, and amends the consulting fee to $75 per month from January 2014 to the completion of the agreement in June 2015. The Company issued 4,802,311 common shares to GHIS in July 2013 which is an equivalent of $2,150 in common shares of the Company to GHIS based on the five day value weighted average of the Company's share price immediately following the announcement of the Company's 2012 annual results. These common shares will be subject to a one year hold period unless the Company's Board of Directors approves an earlier release date. The Company's shareholders approved the amended consulting agreement on May 9, 2013. The Company has recorded stock based compensation expense of $2,785 for the three and six month periods ended June 30, 2013 representing the fair value of the shares approved on May 9, 2013. On March 21, 2013, GHIS waived their consulting fees for the fourth quarter of 2012. On May 7, 2013, GHIS waived their consulting fees for the first quarter of 2013.

For the three and six month periods ended June 30, 2013, the Company incurred $39 and $50 (three and six month periods ended June 30, 2012 - $73 and $95) in GHIS travel and related expenses, $87 and $174 (three and six month periods ended June 30, 2012 - $122 and $197) in interest on related party amounts, $nil and $nil (three and six month periods ended June 30, 2012 - $300 and $600) in advisory fees and $nil and $nil (three and six month periods ended June 30, 2012 - $nil and $150) for completion fees.

Included in trade payables and other amounts at June 30, 2013 and December 31, 2012 are $4,392 and 4,976, respectively, due to GHIS; and $74 and $76, 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 subject to the Credit Agreement between the Company and its senior lenders. Any outstanding consulting fees which are unpaid bear interest at 8% per annum.

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. This promissory note is presented in the current portion of borrowings as outlined in note 8.

During 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 were repaid by June 30, 2013.

On September 3, 2012, the Company issued 1,000,000 restricted shares to the Company's CEO which vest over a four year period. Effective January 1, 2013, 200,000 of these restricted shares became freely tradeable.

(in thousands of Canadian dollars)

14. Shareholders' Equity and Earnings per Share

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

	For the six month period ended June 30, 2013		For the year ended December 31, 2012	
Common shares	**Shares**	**Stated value $**	Shares	Stated value $
Balance, beginning of period	**121,389,445**	**92,201**	98,220,254	62,525
Issuance of shares as compensation	**200,000**	**217**	782,227	61
Issuance of shares	—	—	450,000	482
Shares released from escrow or issued from treasury for contingent consideration[7]	**3,071,099**	**1,738**	17,788,669	21,930
Shares released from escrow for compensation[8]	**1,500,000**	**915**	—	—
Cancellation of shares	—	—	(600,000)	—
Issued on acquisitions	—	—	3,597,632	6,140
Issued through public financing	—	—	463,163	581
Stock options and restricted share units exercised	**1,263,054**	**709**	687,500	482
Balance, end of period	**127,423,598**	**95,780**	121,389,445	92,201

[7] Consists of 2,973,611 common shares issued from escrow and 97,488 common shares issued from treasury for the six month period ended June 30, 2013 and 17,002,956 common shares issued from escrow and 785,713 common shares issued from treasury for the year ended December 31, 2012.
[8] As a result of employment arrangements with the vendor of Performance Medical Group, the Company released 1,500,000 escrowed shares on February 5, 2013 to the vendor of Performance Medical Group.

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

Shares related to contingent consideration held in escrow and restricted shares at June 30, 2013:

Entity	**Escrowed and restricted shares**
BlueWater	6,153,846
London Scoping Centres	640,866
Performance Medical Group	1,500,000
Motion Specialties	9,004,641
Other	458,117
Restricted compensation shares	800,000
Total	**18,557,470**

(in thousands of Canadian dollars)

14. Shareholders' Equity and Earnings per Share - continued

The continuity of restricted and escrowed shares for the six month period ended June 30, 2013 is as follows:

Escrowed and restricted shares	
Balance at beginning of the year	23,231,081
Released escrowed shares	(4,473,611)
Released restricted shares	(200,000)
Total	**18,557,470**

The total common shares in aggregate at June 30, 2013 are:

Type of common shares	
Freely tradeable	127,423,598
Escrowed and restricted	18,557,470
Total	**145,981,068**

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

	For the six month period ended June 30, 2013		For the year ended December 31, 2012	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of year	**11,224,500**	**$1.29**	11,355,500	$1.32
Options granted	—	—	1,925,000	0.95
Options exercised	**(550,000)**	**0.38**	(687,500)	0.45
Options cancelled /forfeited	**(1,991,000)**	**1.17**	(1,368,500)	1.48
Balance, end of period	**8,683,500**	**$1.38**	11,224,500	$1.29
Exercisable, end of period	**3,647,938**	**$1.22**	4,729,875	$1.06

The weighted-average remaining contractual life and weighted‑average exercise price of options outstanding as at June 30, 2013 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	350,000	0.27	0.5	350,000	0.27
$0.51 - $1.00	2,515,000	0.87	3.0	966,250	0.85
$1.01 - $1.50	1,100,000	1.03	1.4	825,000	1.03
$1.51 - $1.88	4,718,500	1.81	3.1	1,506,000	1.78
	8,683,500	**1.38**	**2.8**	**3,647,250**	**1.22**

(in thousands of Canadian dollars)

14. Shareholders' Equity and Earnings per Share - continued

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

On May 28, 2013, the Company issued 100,000 restricted share units to management and employees which entitles the holders to 100,000 common shares of the Company over a three year vesting period. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.53 per share.

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

	For the six month period ended June 30, 2013		For the year ended December 31, 2012	
Restricted share units	**Units**	**Weighted average exercise price**	Units	Weighted average exercise price
Balance, beginning of period	**610,000**	**0.75**	—	—
Restricted share units granted	**1,818,555**	**0.49**	615,000	0.75
Restricted share units exercised	**(713,054)**	**0.49**	—	—
Restricted share units canceled	**(7,794)**	**0.49**	(5,000)	0.75
Balance, end of period	**1,707,707**	**0.59**	610,000	0.75

The weighted‑average remaining contractual life of restricted share units outstanding as at June 30, 2013 is 1.5 years.

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

	For the six month period ended June 30, 2013		For the year ended December 31, 2012	
Share purchase warrants	**Warrants**	**Weighted average exercise price**	Warrants	Weighted average exercise price
Balance, beginning of period	**28,576,590**	**$0.55**	23,281,200	$0.45
Warrants granted	**5,000,000**	**1.78**	5,295,390	0.96
Warrants expired	**(498,200)**	**1.27**	—	—
Balance, end of period	**33,078,390**	**$0.72**	28,576,590	$0.55
Exercisable, end of period	**31,332,227**	**$0.67**	26,830,427	$0.47

(in thousands of Canadian dollars)

14. Shareholders' Equity and Earnings per Share - continued

The weighted-average remaining contractual life and weighted-average exercise price of warrants outstanding as at June 30, 2013 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 - $1.78	33,078,390	$0.72	1.5	31,332,227	$0.67

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 takes into account the effects of share options, warrants and convertible debt outstanding during the period. Earnings per share is not adjusted for anti-dilutive instruments. The weighted average calculation is based on a time weighting factor that includes all share options, warrants and conversion features that were issued at prices lower than the market price of the Company's common shares at the respective period-ends.

The following table illustrates the dilutive effect of the outstanding share options, convertible debt and warrants for the three and six month periods ended June 30, 2013 and 2012.

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2013	2012	**2013**	2012
Basic weighted average shares outstanding	**126,698,484**	112,369,838	**125,354,880**	109,122,759
Dilutive effect of unvested shares	**199,273**	100,000	**244,813**	150,000
Dilutive effect of share options	**232,000**	1,037,364	**274,122**	2,289,845
Dilutive effect of warrants	**7,571,288**	12,780,474	**8,009,529**	15,288,000
Dilutive effect of convertible debt	**49,172,347**	—	**49,172,347**	4,654,632
Diluted shares outstanding	**183,873,392**	126,287,676	**183,055,691**	131,505,236

(in thousands of Canadian dollars)

15. Financial Instruments and Fair Value Measurements

At June 30, 2013, the Company's financial instruments consisted of cash, trade and other receivables, loans receivable, trade and other payables, borrowings, related party loans, convertible loans, derivative liabilities associated with convertible loans and interest rate swaps.

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

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

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

- *Level 3: Inputs for assets or liabilities that are not based on observable market data.*
  This level of the hierarchy includes contingent consideration settled with the Company's shares and derivative liabilities associated with convertible loans.

Recurring fair value measurements at June 30, 2013 are as follows:

	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Bank indebtedness	—	62	—	**62**
Contingent consideration	—	—	6,706	**6,706**
Derivative financial instruments	—	36	2,941	**2,977**
Loan redemption features	—	—	**(463)**	**(463)**
	—	**98**	**9,184**	**9,282**

There were no non-recurring fair value measurements at June 30, 2013. There were no transfers between levels 1 and 2 during the three and six month periods ended June 30, 2013.

The level 2 fair value for bank indebtedness has been determined based on amortized cost using the effective interest rate method. The level 2 fair value of derivative financial instruments relates to interest rate swap agreements and are based on the value of the swap agreement as compared to current market rates.

Details regarding level 3 fair value measurements for contingent consideration can be found in note 6 and for the derivative financial instruments related to derivative liability component of convertible debt in note 8.

There were no changes in the valuation techniques used during the three and six month periods ended June 30, 2013.

(in thousands of Canadian dollars)

15. Financial Instruments and Fair Value Measurements - continued

The carrying value of financial assets and financial liabilities that are measured at cost or amortized cost and approximate their fair values include the following:

	June 30, 2013	December 31, 2012
	$	$
Financial assets measured at cost or amortized cost		
Trade and other receivables	**65,500**	58,325
Loans receivable	**294**	444
Financial liabilities measured at cost or amortized cost		
Trade payables and other amounts	**63,801**	66,186
Finance lease liability	**645**	1,167
Borrowings	**252,520**	204,188
Preferred partnership units	**35,500**	65,500

16. Commitments

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

	June 30, 2013	December 31, 2012
	$	$
Less than one year	**15,088**	13,653
Between one and five years	**41,542**	38,184
More than five years	**17,008**	17,950
Total	**73,638**	69,787

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

17. Contingencies

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

(in thousands of Canadian dollars)

18. 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) Retail and Home Medical Equipment; (iv) Assessments; and, (v) Surgical and 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, 2013						
	Physiotherapy $	**Pharmacy $**	**Retail & Home Medical Equipment $**	**Assessments $**	**Surgical and Medical $**	**Corporate $**	**Total $**
Revenue	47,716	26,392	29,895	10,020	8,161	—	**122,184**
Depreciation and amortization	3,290	1,770	1,890	1,095	711	122	**8,878**
Interest expense	—	—	—	—	—	12,568	**12,568**
Income (loss) before interest expense and income taxes[9]	4,309	1,009	(212)	1,452	(186)	(7,886)	**(1,514)**
Capital expenditures	831	265	877	2	293	86	**2,354**
Goodwill	115,441	30,802	20,074	32,457	14,114	—	**212,888**
Total assets	189,498	59,845	105,500	50,321	29,438	47,356	**481,958**
Total liabilities	108,451	11,018	48,803	50,153	10,446	158,406	**387,277**

[9] Included in the income before interest expense and income taxes for the Corporate segment is $48 of a non-cash gains from the net decrease in the fair value of the contingent consideration liability for the period, $1,889 in transaction and restructuring costs and $426 of non-cash losses from the change in fair value of derivative financial instruments.

	For the six month period ended June 30, 2013						
	Physiotherapy $	**Pharmacy $**	**Retail & Home Medical Equipment $**	**Assessments $**	**Surgical and Medical $**	**Corporate $**	**Total $**
Revenue	92,329	50,669	58,574	18,332	15,561	—	**235,465**
Depreciation and amortization	6,594	3,505	3,475	2,209	1,440	216	**17,439**
Interest expense	—	—	—	—	—	19,486	**19,486**
Income (loss) before interest expense and income taxes[10]	7,095	1,556	(382)	1,895	(531)	(1,432)	**8,201**
Capital expenditures	1,381	939	1,254	4	623	297	**4,498**

[10] Included in the income before interest expense and income taxes for the Corporate segment is $6,993 of a non-cash gains from the net decrease in the fair value of the contingent consideration liability for the period, $2,413 in transaction and restructuring costs, and $3,459 of non-cash gains from the change in fair value of derivative financial instruments.

(in thousands of Canadian dollars)

18. Segmented Information - continued

	As at and for the three month period ended June 30, 2012						
	Physiotherapy $	**Pharmacy $**	**Retail & Home Medical Equipment $**	**Assessments $**	**Surgical and Medical $**	**Corporate $**	**Total $**
Revenue	45,563	23,381	26,307	9,545	9,327	—	**114,123**
Depreciation and amortization	3,301	405	538	1,125	843	107	**6,319**
Interest expense	—	—	—	—	—	5,584	**5,584**
Income (loss) before interest expense and income taxes[11]	3,983	2,021	1,423	706	289	39,743	**48,165**
Capital expenditures	921	473	514	195	187	—	**2,290**
Goodwill	115,935	51,468	45,791	32,457	21,427	—	**267,078**
Total assets	202,315	77,836	102,311	66,466	46,572	10,839	**506,339**
Total liabilities	28,228	5,697	14,392	16,994	3,561	305,618	**374,490**

[11] 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, $2,454 in transaction and restructuring costs and $5 of non-cash gains from the change in fair value of the derivative financial instrument.

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

[12] 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, $4,781in transaction and restructuring costs and $157 of non-cash gains from the change in fair value of the derivative financial instrument.

(in thousands of Canadian dollars)

19. Supplementary Disclosure to the Consolidated Statements of Cash Flows

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

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2013 **$**	2012 $	**2013** **$**	2012 $
Trade and other receivables	**(1,423)**	4,619	**(7,175)**	1,230
Inventories	**(50)**	(3,501)	**(1,882)**	(2,085)
Prepaid expenses	**168**	102	**(190)**	(289)
Trade payables and other amounts	**(2,775)**	(1,785)	**(4,246)**	(17,105)
Total	**(4,080)**	(565)	**(13,493)**	(18,249)

20. Subsequent Events

On July 31, 2013, the Company announced a strategic alliance with Vancouver Imaging to provide imaging services at the Company's False Creek location in Vancouver, B.C. for a period of five years. In addition, under the alliance the Company and Vancouver Imaging will jointly explore other imaging opportunities across Canada.

On August 7, 2013, the Company announced that it had established two specialized Centres of Excellence at the Company's False Creek location in Vancouver, B.C. in nasal and sinus and woman's urology. In addition, the Company announced that it has launched an Extended Care Patient Network which offers patients broader access to a variety of healthcare services via a network of leading healthcare providers across Canada with the intent of reducing wait times and providing patients with choice and early intervention. On August 12, 2013, the Company also announced the launch of its first Triage Assessment Program at the Rouge Valley Hospital in Toronto, Ontario.