Centric Health

Your Care. Our Focus.

Management's Discussion and Analysis

For the three and nine month periods ended September 30, 2013 and 2012

Dated: November 5, 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 nine month periods ended September 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 nine month periods ended September 30, 2013 and 2012. The unaudited interim consolidated financial statements for the three and nine month periods ended September 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 November 5, 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 nine month periods ended September 30, 2013

Financial Performance

Following a record second quarter, the Company achieved its best ever third quarter for revenue and Adjusted EBITDA[1]. For the three month period ended September 30, 2013, revenue increased to $110.6 million compared to $107.4 million in the prior year, due principally to organic growth. Adjusted EBITDA was $10.4 million (9.4% of revenue) for the quarter ended September 30, 2013 compared to $9.0 million (8.4% of revenue) for the third quarter in the prior year. The majority of these increases were a result of organic growth initiatives in all segments except for Physiotherapy where the impact of regulatory changes in August 2013 imposed by the Ontario Ministry of Health and Long Term Care on physiotherapy services for seniors was felt. The Company continued its focus on operational and working capital initiatives in the third quarter of 2013 which resulted in positive cash flow from operations for the sixth consecutive quarter and a decrease in the Company's Revolving Credit Facility balance from June 30, 2013.

Revenue increased to $346.1 million for the nine month period ended September 30, 2013 from $325.7 million for the same period in the prior year due to organic growth and the acquisition of Motion Specialties in February 2012, offset by the regulatory changes in Ontario for seniors physiotherapy services. For the nine month period ended September 30, 2013 Adjusted EBITDA was $33.3 million as compared to $33.2 million for the nine month period ended September 30, 2012. The Company's Adjusted EBITDA would have increased on a year over year if not for the impact of the regulatory changes in Ontario for seniors' physiotherapy services.

The Company has previously demonstrated its resolve to overcome regulatory setbacks. The Company has rebounded from the regulatory reforms implemented by the Ontario government on the Assessments industry in the fall of 2010. In response to those regulatory reforms, the Company consolidated its assessment centres and reduced head count and this segment is now realizing the benefits of these efforts. Adjusted EBITDA for the Assessments segment was $2.2 million and $6.3 million for the three and nine month periods ended September 30, 2013 as compared to $1.6 million and $5.0 million for the same periods in the prior year. Moreover, the Adjusted EBITDA margin for this segment has improved to 23.3% and 22.7% from 18.6% and 17.5% for the three and nine month periods ended September 30, 2013, respectively.

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 on July 3, 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.

Subsequent to the end of the third quarter, the Company renegotiated its $5 million convertible debt arrangement with Jamon InvestmentsLLC ("Jamon"), a related party, whereby this convertible debt will now have a maturity date of April 30, 2018. The note will be convertible at the option of the holder at the greater of 20% of the five day volume weighted average price of the Company's common shares at November 9, 2013 and $0.46. There will be one million warrants which will also be exercisable at the above noted conversion price and will expire on April 30, 2018. This renegotiation preserves $5 million in cash flow which otherwise would have been payable to Jamon in the fourth quarter of 2013.

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

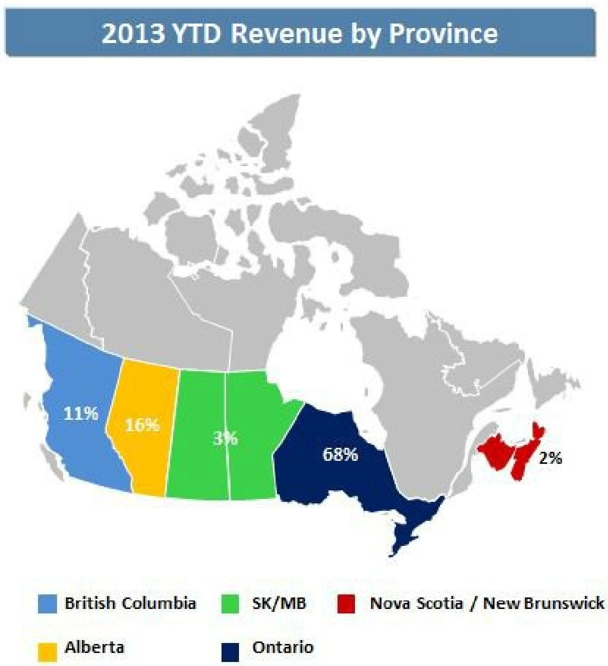
Business Overview

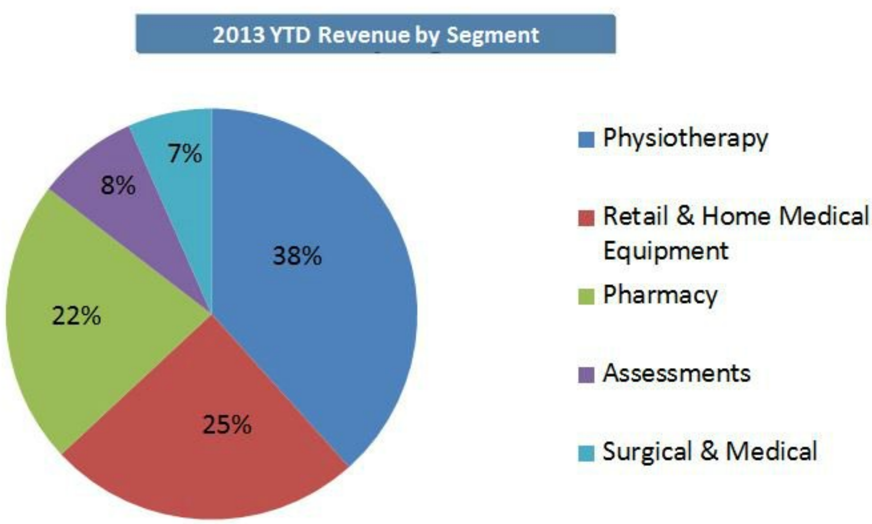
Centric Health Corporation is a Canadian healthcare services company with the largest healthcare services platform and networks across Canada in physiotherapy, assessments, seniors' wellness, surgical and medical centres, specialty pharma, orthotics and home medical equipment. The Company reaches approximately 1,000 locations across Canada and has 19 surgical operating rooms and provides services to 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 nine month period ended September 30, 2013 by province and segment are denoted below.



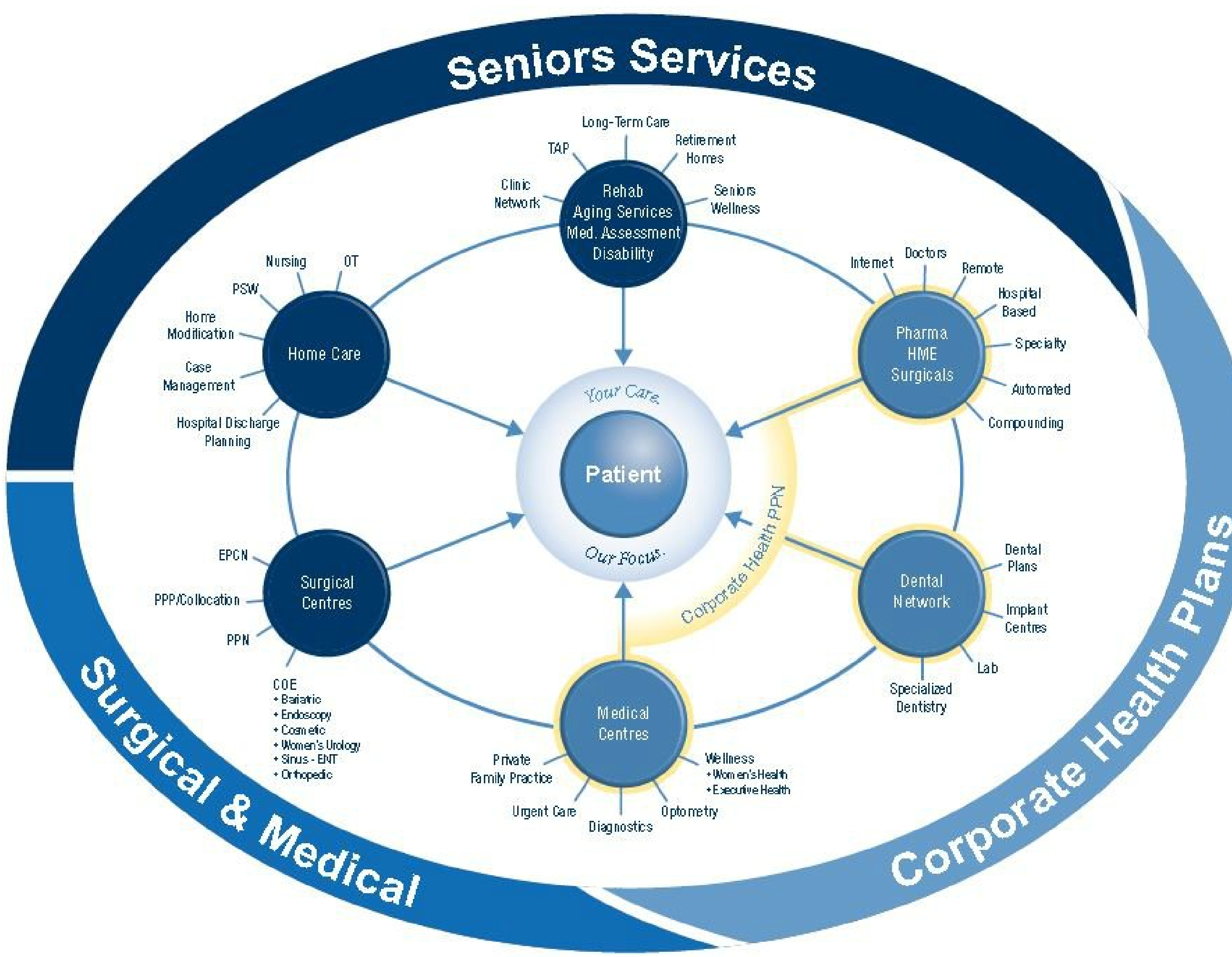


Centric Health has a strategic focus to differentiate its services and product offerings by partnering with healthcare professionals and employees to achieve clinical excellence with a focus on the highest standards of care. Centric Health's long-term objective is that management, staff and healthcare 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 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 and third quarter of 2013 however, many of their efforts are not expected to be fully realized until the fourth quarter of 2013 and beyond. During the third quarter, the Company 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

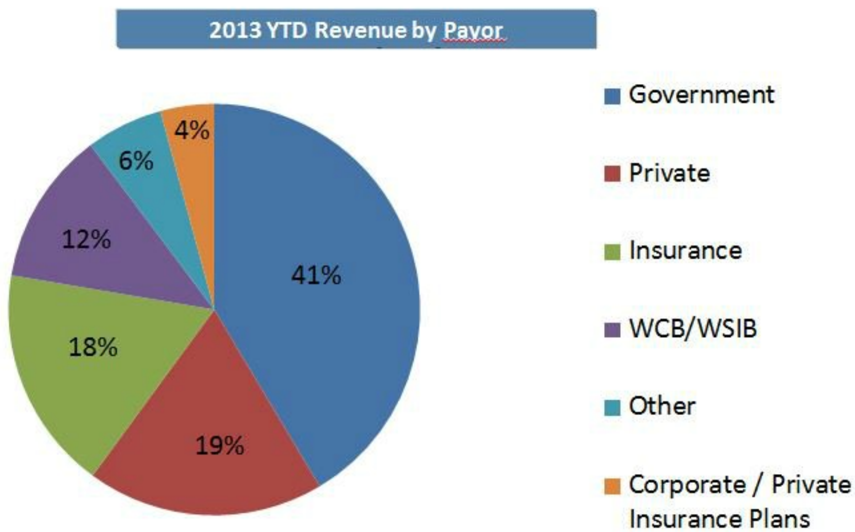


The Company's primary focus areas and target markets are as follows:

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.

In 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

Following the achievement of record revenue and Adjusted EBITDA in the second quarter, Centric Health also achieved a record third quarter revenue and Adjusted EBITDA. This achievement is in spite of the immediate impact of the change in funding for seniors' physiotherapy services by the government of Ontario which took effect on August 22, 2013. The Company estimates that the impact of these regulatory changes on Adjusted EBITDA for fiscal 2013 will be approximately $3-4 million. The Company has responded to these regulatory changes by focusing 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.

Under the leadership of CEO, David Cutler, Centric Health continues to make strides towards reaping the full benefits of its unparalleled Canadian national healthcare platform and its potential for future expansion and growth. During the first half of 2013, a new senior leadership team was appointed by Mr. Cutler and the impact of these leadership changes have been reflected in the results in the second and third quarters of 2013. Centric Health's new CFO, Daniel Gagnon, played a leading role in strengthening the Company's balance sheet through a $200 million prospectus supplement for second lien senior secured notes. Moreover, Mr, Gagnon has completed a restructuring of the finance department which resulted in a 30% decrease in head count through centralization and improved processes. Additionally, a more advanced budgeting tool has been implemented during his first six months with the Company. Jim Black, the Company's new CIO, is overseeing the implementation of an end to end operating system for the Company's retail and home medical segment. The Company completed a successful pilot launch in September 2013 and expects to have this leading edge system in place across its network of corporate stores by the end of 2014. The Company's new COO, Chris Dennis, has been focused on positioning the Company's underperforming Surgical and Retail and Home Medical Equipment segments for long-term success. Efforts in the Surgical segment have included the appointment of new operations leaders for Surgical Eastern Canada and Surgical Western Canada, the launch of low capital investment ventures, and the recruitment of new surgeons and physicians. In the Retail and Home Medical segment, a leader in process improvement has been appointed to enhance processes and drive efficiencies throughout this segment. In addition, in order to better integrate operations and drive efficiency, Mr. Dennis has launched an operations shared service centre focused on marketing initiatives and RFP management. The Company's leadership team will continue to launch further initiatives to strengthen Centric Health with a focus on growth and efficiency with an overarching focus on quality patient care. Further benefits from the initiatives launched by the Company's leadership team are expected to be realized in 2014 and beyond.

The Company continues to focus on strengthening its balance sheet. To date in 2013, the Company completed a $200 million prospectus supplement for second lien senior notes which replaced the Company's previous senior debt with more favorable terms, renegotiated its Revolving Credit Facility, repaid $30 million of preferred partnership units which is the Company's most expensive debt, renegotiated its convertible loan with Jamon to preserve $5 million in cash flow and realized its sixth consecutive quarter of positive cash flow from operations. Through these initiatives, the Company has provided itself with financial flexibility. The Company does not have a debt principal repayment due until June 2015, which is its Revolving Credit Facility, which currently has an outstanding balance of $16.5 million. Moreover, with the exception of the recently renegotiated loan with Jamon, which is a related party, all of the Company's convertible debt offerings can be settled in common shares at the discretion of the Company. The Company anticipates that, based on meeting its 2013 and 2014 operating budget, it will generate sufficient cash flow from operations in the remainder of 2013 and in 2014 to meet its obligations as they come due.

The Company's principal focus in 2013 has been on organic growth initiatives. Many organic growth initiatives were commenced in 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 2014 and beyond. In the third quarter of 2013, the Company 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. 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 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 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 which is expected to be completed by the end of 2014.

Physiotherapy

The Company was impacted by funding model changes announced by the Ontario Ministry of Health and Long Term Care enacted in August 2013 related to physiotherapy services for seniors. The Company has taken proactive steps through existing and new revenue streams to mitigate the impact to its business resulting from changes to the funding model. The vast majority of the Company's existing long-term care homes have verbally committed or contractually agreed to continuing to outsource their physiotherapy service contracts with Centric Health under the new funding model, which pays the homes directly on an annual fee-per-bed basis. The initial proposed fee is $750 per bed per annum, which equates to approximately half of the previous fees billed. In addition, the Company is pursuing opportunities through private homecare, private pay services of rehabilitation and other ancillary services to retirement homes, and publicly funded physiotherapy services through Community Care Access Centres. It is expected that the average number of annual treatments per resident will be significantly reduced but reimbursed at a higher tariff. Other re-imbursement alternatives are being explored. In addition, the Company has implemented a cost containment program to restore the division's profit margins while focusing on the delivery of high quality patient care.

The Company continues to focus on growth in the physiotherapy segment from the Company's rehabilitative clinics through organic expansion initiatives. Retail, massage and orthotic initiatives were launched within rehabilitation clinics in 2012 and these initiatives continue to expand in 2013. 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 rehabilitation clinics will only occur if the acquisition will be accretive to income and complementary to the Company's national network.

Pharmacy

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 strategy. Revenues for the Company's pharmacy operations are expected to increase in the balance of 2013 and in 2014 due to organic growth through tenders for contracts, retail initiatives, bundled service offerings, and maximizing the utilization of existing infrastructure. Adjusted EBITDA margins are expected to return to more historical levels in the upcoming quarters as the non-recurring costs to implement Electronic Medical Administrative Records ("EMAR") for certain long-term care homes decreases as these implementations progress.

Retail and Home Medical Equipment

The Company's Retail and Home Medical Equipment segment has experienced strong revenue growth in 2013 and this growth is expected to continue for the balance of 2013 and into 2014. 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. The benefits of these investments are not expected to be fully realized until 2014. Motion Specialties reduced head count in the second quarter of 2013 through attrition and restructuring in order to better align their resourcing needs.

The Company's new leadership team has reviewed the operations of Motion Specialties and has validated the long term strength of this business, however the extent of addressing short-term challenges will 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, reducing discretionary spending through bulk-purchasing initiatives and spending caps and implementation of operational best practices across the network of retail stores. Under the direction of the Company's new COO, Motion Specialties is undertaking a continuous improvement project in the fourth quarter of 2013 through to the end of 2014 in order to standardize and streamline business processes. It is expected that this project will drive operational improvements and improve Adjusted EBITDA margins. A major system integration of Motion Specialties is in progress with a successful pilot launch in September 2013. However, the process re-engineering of day-to-day activities and the automation of inventory is taking longer than management had expected. These initiatives are not expected to be completed until the end of 2014.

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 which are expected to enhance this segment's Adjusted EBITDA in 2014. 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 rebounded from the Ontario legislative changes announced in the fall of 2010 surrounding automobile insurance coverage with a strong 2013. 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 have been realized in 2013 as referrals are increasing and margins are stabilizing. The Company continues to focus on increasing its market share in this industry. The Company's growth initiatives include 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.

Surgical and Medical

The financial results of the surgical and medical operations of the Company declined in the second half of 2012 but have shown signs of stability and marginal growth in the third quarter of 2013. The Company continues to rebuild the surgical operations at its Sarnia facility and has been successfully recruiting new surgeons and physicians to practice at this facility. The full financial benefits on the Company's rebuilding efforts at the Sarnia facility 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 at all of the Company's surgical centres. During the third quarter, the Company 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 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.

$000's (except for per share amounts)

Selected Financial Information

The following selected financial information for the three and nine month periods ended September 30, 2013 and 2012, has been derived from the unaudited interim consolidated financial statements for the three and nine month periods ended September 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 September 30,			For the nine month periods ended September 30,		
	2013 **$**	2012 $	2011 $	**2013** **$**	2012 $	2011 $
Revenue	**110,614**	107,358	67,096	**346,079**	325,734	123,727
(Loss) income from operations	**(288)**	(2,854)	8,428	**(2,538)**	2,257	12,809
(Loss) income before interest expense and income taxes	**(36,657)**	(913)	44,532	**(28,456)**	47,946	52,596
EBITDA[2]	**(27,767)**	5,822	45,793	**(1,990)**	67,292	54,880
Adjusted EBITDA[2]	**10,377**	9,008	9,689	**33,333**	33,241	15,093
Per share - Basic	**$0.08**	$0.08	$0.12	**$0.26**	$0.30	$0.20
Per share - Diluted	**$0.06**	$0.07	$0.09	**$0.18**	$0.26	$0.15
Adjusted EBITDA Margin	**9.4%**	8.4%	14.4%	**9.6%**	10.2%	12.2%
Net (loss) income	**(39,256)**	(6,273)	38,889	**(47,244)**	31,442	43,486
Per share - Basic	**$(0.30)**	$(0.05)	$0.47	**$(0.37)**	$0.28	$0.56
Per share - Diluted	**$(0.30)**	$(0.05)	$0.37	**$(0.37)**	$0.24	$0.45
Cash flow from operations	**4,895**	3,402	9,237	**11,555**	501	6,977
Total assets	**432,079**	501,744	465,751	**432,079**	501,744	465,751
Total non-current liabilities	**269,583**	286,224	217,721	**269,583**	286,224	217,821

[2] Defined in Reconciliation of Non-IFRS Measures

Reconciliation of Non-IFRS Measures

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

EBITDA, 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.

$000's (except for per share amounts)

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

	For the three month periods ended September 30,		**For the nine month periods ended September 30,**	
	2013	2012	**2013**	2012
	$	$	**$**	$
Net (loss) income	**(39,256)**	(6,273)	**(47,244)**	31,442
Depreciation and amortization	**8,673**	6,563	**26,112**	19,115
Interest expense	**8,403**	7,134	**27,889**	17,788
Amortization of lease incentives	**217**	172	**354**	231
Income tax recovery	**(5,804)**	(1,774)	**(9,101)**	(1,284)
EBITDA	**(27,767)**	5,822	**(1,990)**	67,292
Transaction and restructuring costs	**1,051**	3,861	**3,464**	8,642
Change in fair value of contingent consideration liability	**(2,982)**	(1,680)	**(9,974)**	(45,271)
Impairments	**41,007**	—	**41,007**	—
Stock-based compensation expense	**724**	1,266	**5,946**	2,952
Change in fair value of derivative financial instruments	**(1,656)**	(261)	**(5,115)**	(418)
(Gain) loss on disposal of property and equipment	**—**	—	**(5)**	44
Adjusted EBITDA	**10,377**	9,008	**33,333**	33,241
Basic weighted average number of shares	**132,246**	116,856	**127,668**	111,714
Adjusted EBITDA per share (basic)	**$0.08**	$0.08	**$0.26**	$0.30
Fully diluted weighted average number of shares	**184,955**	130,414	**181,783**	129,635
Adjusted EBITDA per share (diluted)	**$0.06**	$0.07	**$0.18**	$0.26

Results of Consolidated Operations for the three and nine month periods ended September 30, 2013 and 2012

Revenues

The Company's revenue for the three month period ended September 30, 2013, increased by $3,256 to $110,614 as compared to the third quarter of 2012. This increase was mainly as a result of:

- Organic growth - same store revenue growth of $5,447 in most segments except Physiotherapy related to seniors services to retirement and long term care homes in Ontario; and
- Working days - increased revenue of $1,302 as a result of one additional working day in the current quarter.

Offsetting these increases was a decrease of $3,530 as a result of the funding changes for physiotherapy services for seniors implemented by the government of Ontario in August 2013.

The Company's revenue for the nine month period ended September 30, 2013, increased by $20,345 to $346,079 as compared to the same period in the prior year. This increase was primarily due to :

- Organic growth - same store revenue growth of $15,883 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 $13,924.

Offsetting these increases were:

- Pharmacy - a decrease in revenue of $4,136 as a result of certain high volume drugs becoming generic;
- Funding for seniors in Ontario - a decrease of $3,530 as a result of the funding changes for physiotherapy services for seniors implemented by the government of Ontario in August 2013; and
- Surgical - a decline of approximately $3,412 mainly due to management changes at the Company's Sarnia location.

Expenses

Most of the Company's costs have increased between the first nine months of 2013 as compared to the first nine months 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 September 30, 2013 were $55,668 as compared to $54,727 for the three month period ended September 30, 2012. Cost of healthcare services and supplies remained relatively consistent as a percentage of revenue over the comparative periods at 50.3% and 51.0% , respectively.

Cost of healthcare services and supplies for the nine month period ended September 30, 2013, were $174,563 compared to $164,536 for the same period in the prior year. As a percentage of revenue, the cost of healthcare services and supplies remained relatively consistent at 50.4% in the current period as compared to 50.5% 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 $25,638 for the three month period ended September 30, 2013 from $24,611 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 nine month period ended September 30, 2013, employee costs were $80,630 compared to $71,419 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 September 30, 2013, other operating expenses increased to $15,308 from $15,038 for the comparative period in the prior year but remained consistent as a percentage of revenue at approximately 14%.

Other operating expenses for the nine month period ended September 30, 2013, were $46,291 compared to $44,383 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 September 30, 2013 decreased to $3,840 from $4,146 for the same period in the prior year. Corporate office expenses represented 3.5% for the third quarter of 2013 as compared to 3.9% for the third quarter of 2012. This improvement is mainly due to the waiving of advisory fees from GHIS in 2013.

Corporate expenses for the nine month period ended September 30, 2013, were $11,616 compared to $12,386 for the three month period ended September 30, 2012. Corporate office expenses have improved from 3.8% of revenue for the nine month period ended September 30, 2012 to 3.4% for the nine month period ended September 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 $2,110 to $8,673 for the three month period ended September 30, 2013 and by $6,997 to $26,112 for the nine month period ended September 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, decreased by $542 for the three month period ended September 30, 2013 and increased $2,994 for the nine month period ended September 30, 2013 versus the comparable periods in the prior year, respectively. The decrease over the comparative three month period can be attributed to the expiry, cancellation and forfeiture of stock options in the normal course. The increase over the comparative nine month period can be attributed to the share based compensation expense incurred in the second quarter of 2013 related to the revised consulting agreement between the Company and GHIS.

Transaction and restructuring costs decreased by $2,810 to $1,051 for the three month period ended September 30, 2013 and by $5,178 to $3,464 for the nine month period ended September 30, 2013 as compared to the same periods in the prior year respectively. In the third quarter of 2013, the Company incurred transaction costs of $8, start-up costs of $52 related mainly to certain initiatives in the surgical segment and restructuring costs of $991 mainly from redundant head count reductions in the retail and home medical segment. Transaction and restructuring costs are lower in 2013 as compared to 2012 as the majority of costs incurred in 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 September 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 $288 or 0.3% of revenues. The Adjusted EBITDA for the three month period ended September 30, 2013 was $10,377 as compared to $9,008 for the same period in the prior year. Adjusted EBITDA represented approximately 9.4% of revenue for the three month period ended September 30, 2013 which is an improvement from the Adjusted EBITDA margin of 8.4% for the same period in the prior year. This margin improvement can mainly be attributed to the impact of the restructuring of the Company's assessment operations.

Loss from operations for the nine month period ended September 30, 2013 was $2,538 or 0.7% of revenues. The Adjusted EBITDA for the nine month period ended September 30, 2013 was $33,333 as compared to $33,241 for the same period in the prior year. The Adjusted EBITDA margin decreased to 9.6% from 10.2% 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 nine month periods ended September 30, 2013, was $8,403 and $27,889 as compared to $7,134 and $17,788 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 nine month periods ended September 30, 2013 was $6,913 and $18,983 as compared to $5,675 and $15,184 for the three and nine month periods ended September 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 September 30,		**For the nine month periods ended September 30,**	
	2013 $	2012 $	**2013 $**	2012 $
Interest on long-term loan, revolving facilities and second lien senior secured notes	**4,929**	3,060	**12,067**	8,540
Amortization of loan arrangement fees[3]	**475**	471	**6,157**	1,301
Interest on related party amounts	**160**	467	**483**	617
Accretion of related party loan discounts	**119**	96	**343**	287
Interest on capital leases	**27**	15	**58**	72
Amortization of deferred gain on interest rate swap	**(5)**	(20)	**(168)**	(20)
Interest on convertible debt	**809**	378	**2,401**	854
Accretion on convertible debt	**901**	912	**2,574**	1,036
Interest expense before distributions for preferred partnership units	**7,415**	5,379	**23,915**	12,687
Distributions for preferred partnership units	**991**	1,755	**3,984**	5,130
Total interest expense	**8,406**	7,134	**27,899**	17,817
Interest income	**(3)**	—	**(10)**	(29)
Net interest expense	**8,403**	7,134	**27,889**	17,788

[3] Includes the expensing of $4,704 of loan arrangement fees related to the Company's previous senior debt in the nine month period ended September 30, 2013.

The **change in fair value of derivative financial instruments** of $1,656 and $5,115 for the three and nine month periods ended September 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 nine month periods ended September 30, 2013, the Company recognized gains on the **fair value of contingent consideration liabilities** of $2,982 and $9,974 as compared gains of $1,680 and $45,271for 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 September 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. The Company has further reduced the probability for the second year earn-out to 0% during the three month period ended September 30, 2013. The Company has recorded a gain of $9,117 for the change in fair value of Motion Specialties contingent consideration for the nine month period ended September 30, 2013 mainly due to the reduction in probabilities. These decreases in probability are mainly a result of Motion Specialties generating a working capital shortfall as compared to what had been projected as part of the earn-out agreement in addition to a shortfall in achieving its Adjusted EBITDA financial performance target.

During the nine month period ended September 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.

The Company recorded non-cash **impairment** charges of $41,007 for the three and nine month periods ended September 30, 2013. The Company identified an indicator of impairment resulting for the Ontario government regulatory changes for physiotherapy for seniors which resulted in the Company recording an impairment of $15,007 for its billing privileges and related trademarks. In addition, the Company also completed its annual impairment test of goodwill and indefinite life intangible assets. As a result, the Company recorded non-cash impairments of goodwill of $15,000 for its Physiotherapy - Seniors Wellness CGU, $10,000 for its Retail and Home Medical CGU and $1,000 for its Surgical - Eastern Canada CGU. The impairment of the Physiotherapy - Seniors Wellness CGU is directly related to the regulatory changes in Ontario. The impairment of the Retail and Home Medical CGU is a result of working capital shortfalls from expectations and process re-engineering initiatives to drive margin growth which are not expected to be completed until 2014. The impairment in the Surgical - Eastern Canada CGU is a result of the restructuring of the Company's facility in Sarnia, Ontario.

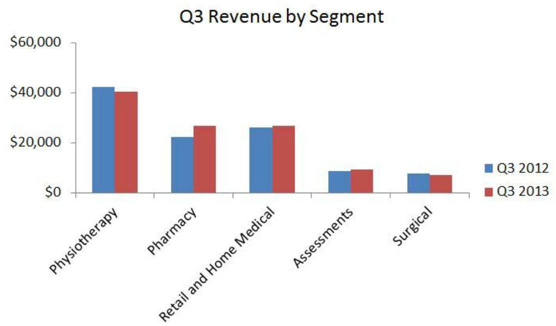
The **income tax recovery** was $5,804 and $9,101 for the three and nine month periods ended September 30, 2013 as compared to $1,774 and $1,284 for the same periods in the prior year. The Company is in a recovery position on a year to date basis mainly due to the Company generating loss carryforwards 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 September 30, 2013 in respect of certain non-capital losses. Income tax recovery is calculated at the statutory rate of approximately 26.5% 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.

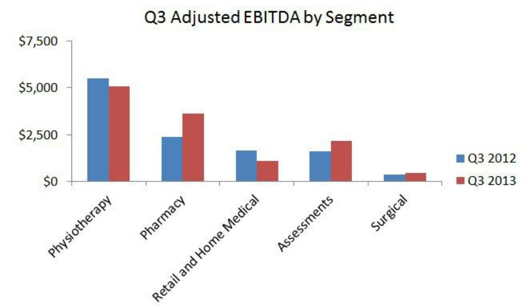
$000's (except for per share amounts)

Results of Segmented Operations

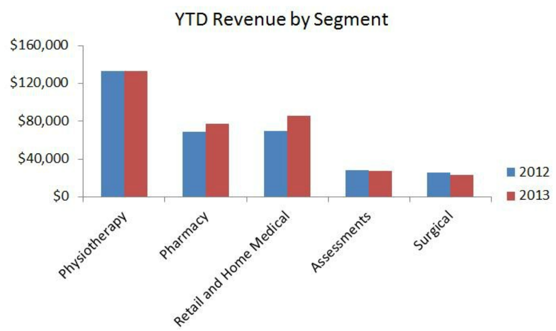
This section presents the results of operations for the three and nine month periods ended September 30, 2013 and 2012 for the various operating segments of the Company. Operating segments, as reported to the Chief Operating Decision Makers ("CODM") are as follows: Physiotherapy, Pharmacy, Retail and 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.

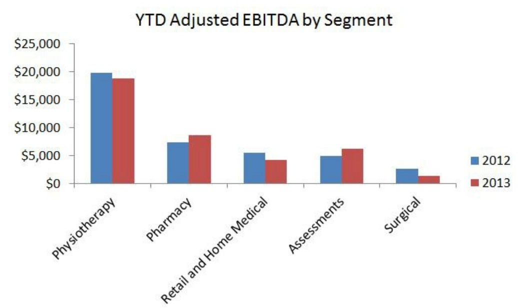
For the three month periods ended September 30,	**Revenue**		**Adjusted EBITDA**			
	2013 $	2012 $	**2013 $**	**%**	2012 $	%
Physiotherapy	**40,437**	42,210	**5,071**	**12.5**	5,497	13.0
Pharmacy	**26,845**	22,429	**3,619**	**13.5**	2,357	10.5
Retail and Home Medical Equipment	**26,830**	26,176	**1,097**	**4.1**	1,646	6.3
Assessments	**9,249**	8,712	**2,159**	**23.3**	1,624	18.6
Surgical and Medical Centres	**7,253**	7,831	**434**	**6.0**	340	4.3
Corporate	—	—	**(2,003)**	—	(2,456)	—
Total	**110,614**	107,358	**10,377**	**9.4**	9,008	8.4





For the nine month periods ended September 30,	**Revenue**		**Adjusted EBITDA**			
	2013 $	2012 $	**2013 $**	**%**	2012 $	%
Physiotherapy	**132,767**	132,898	**18,759**	**14.1**	19,756	14.9
Pharmacy	**77,514**	69,109	**8,679**	**11.2**	7,312	10.6
Retail and Home Medical Equipment	**85,405**	69,643	**4,190**	**4.9**	5,525	7.9
Assessments	**27,580**	28,380	**6,262**	**22.7**	4,976	17.5
Surgical and Medical Centres	**22,813**	25,704	**1,343**	**5.9**	2,608	10.1
Corporate	—	—	**(5,900)**	—	(6,936)	—
Total	**346,079**	325,734	**33,333**	**9.6**	33,241	10.2





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.

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

Revenue for the Physiotherapy segment decreased to $40,437 from $42,210 for the three month periods ended September 30, 2013 and 2012 and decreased to $132,767 from $132,898 for the nine month periods ended September 30, 2013 and 2012, respectively. The decreases over both periods were a result of regulatory and funding changes implemented by the Ontario Ministry of Health and Long Term Care in August 2013 related to physiotherapy services for seniors. Offsetting these decreases is same store revenue growth of 1.7% and 3.1% for the three and nine month periods respectively in the Company's physiotherapy clinics. In addition, there was one additional working day between the comparative periods.

Adjusted EBITDA decreased from $5,497 to $5,071 for the three month periods ended September 30, 2013 and 2012 and from $19,756 to $18,759 for the nine month period ended September 30, 2013 and 2012. This decrease is mainly be attributed to the impact of regulatory and funding changes implemented by the Ontario Ministry of Health and Long Term Care in August 2013 offset by the margin impact of organic growth from the Company's physiotherapy clinics.

Pharmacy

The Company has a retail and niche pharmacy network with dispensing operations that service over 200 long-term care facilities with over 16,000 residents and 18 pharmacies that service 36 methadone treatment centres. The Company's script count has increased by approximately 158,000 per month compared to the same time in the prior year.

Pharmacy revenues increased to $26,845 and $77,514 for the three and nine month periods ended September 30, 2013 as compared to $22,429 and $69,109 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 $3,619 and $8,679 for the three and nine month periods ended September 30, 2013 in contrast to $2,357 and $7,312 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 began to subside in the third quarter of 2013 and are expected to further decrease in the fourth quarter.

$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 nine month periods ended September 30, 2013 was $26,830 and $85,405 as compared to $26,176 and $69,643 for the three and nine month periods ended September 30, 2012. The increase between the third quarter in the current year as compared to the prior year is mainly due to organic growth and additional revenue from retail and home medical equipment store acquisitions. The increase in this segment over the comparative nine 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 nine months of 2012. In addition, there was an increase in same store revenue when comparing the first nine months of 2013 and 2012. Moreover, this segment realized 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 nine month periods ended September 30, 2013 was $1,097 and $4,190 as compared to $1,646 and $5,525 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. 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. These benefits of these initiatives are expected to be realized in 2014. 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 focuses on providing superior service to its clients and patients.

Revenue for Assessments increased to $9,249 from $8,712 for the three month period ended September 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 $27,580 from $28,380 for nine month period ended September 30, 2013 and 2012 mainly due to fewer referrals on a comparative basis between the two periods. The impact of the regulatory changes in this industry were still being felt in early 2012 which is the main driver for this decrease.

In addition to the increase in revenue, Adjusted EBITDA and the Adjusted EBITDA margin for the Assessments segment increased to $2,159 and 23.3% from $1,624 and 18.6% for the three month periods ended September 30, 2013 and 2012, respectively. For the nine month periods ended September 30, 2013 and 2012, despite the decrease in revenue, Adjusted EBITDA and Adjusted EBITDA margin improved to $6,262 and 22.7% from $4,976 and 17.5%, 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.

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.

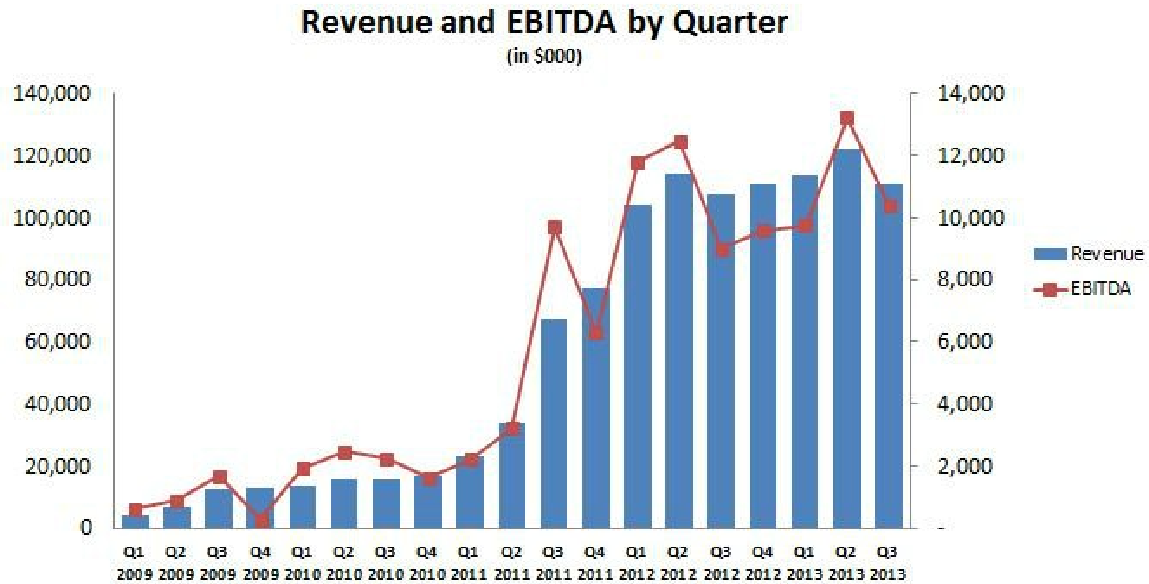
Revenue generated by the Surgical and Medical Centre segment for the three and nine month periods ended September 30, 2013 was $7,253 and $22,813 as compared to $7,831 and $25,704 for the comparative periods in the prior year. Adjusted EBITDA decreased to $1,343 from $2,608 over the comparable nine month periods but increased to $434 from $340 for the comparable three month periods. The decreases over the comparable nine month period can mainly be 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 did realize incremental Adjusted EBITDA growth over the comparative third quarter due to operational efficiencies. The Company is focused on strengthening its underperforming surgical centres and 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		110,614	122,184	113,281
Adjusted EBITDA		10,377	13,211	9,743
Adjusted EBITDA per share				
Basic		0.08	0.10	0.08
Diluted		0.06	0.07	0.05
Net (loss) income		(39,256) [2]	(12,361) [3]	4,373 [4]
(Loss) earnings per share				
Basic		(0.30)	(0.10)	0.04
Diluted		(0.30)	(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)

[2] The net income for the quarter ended September 30, 2013 includes $2,982 as a non-cash gain in net income representing the decrease in fair value of the contingent consideration liability, non-cash impairment charges of $41,007 and $1,051 of transaction and restructuring costs.
[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 shown steady long-term revenue growth which is illustrative of the Company's overall growth both organically and through acquisitions. The Company's strategy to improve top line growth through accretive strategic initiatives has resulted in revenues increasing by 3.0% for the third quarter of 2013 as compared to the third quarter of 2012. However, this revenue growth was negatively impacted by the impact of regulatory changes for physiotherapy services for seniors in Ontario in August 2013. The Company's Adjusted EBITDA margin increased from 8.6% to 9.4% from the first quarter to the third quarter of 2013 driven mainly from organic growth efforts and the benefits of cost improvement projects.

The volatility in net income (loss) quarter over quarter in the first three 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.

As a result of expected seasonality in the business and the impact of regulatory changes for physiotherapy services for seniors in Ontario, Adjusted EBITDA decreased by $2,834 to $10,377 from the second quarter to the third quarter of 2013. The second quarter is typically the Company's strongest quarter and as such a decrease in Adjusted EBITDA was expected between the second and third quarters.

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 Ministry of Health and Long Term Care, other government agencies, employers and insurance companies. These receivables totaled $56,706 at September 30, 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 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 September 30, 2013, the Company had borrowed $16,500 against the Revolving Facility.

The Company has finalized its operating budget for 2014 which incorporates funding reductions in Ontario from the Ministry of Health and Long Term Care for seniors physiotherapy services and incorporates other planned growth and operational improvement initiatives. Notwithstanding the annualized impact of these changes, the Company's 2014 budget reflects an improvement over the Company's expected 2013 results through organic growth and cost containment initiatives. Based on its 2014 operating budget, cash flow management initiatives and alternative financing arrangements being considered, the Company believes it will be in compliance with the new financial performance covenants for the Revolving Facility at each quarterly measurement date through to the end of 2014. The Company also anticipates that based on meeting its 2014 operating budget, it will generate sufficient cash flow from operations in 2014 to meet its obligations as they come due for each of the quarters in 2014. There can be no assurance that the Company will be successful in achieving the results as set out in its operating plan.

The Company’s second lien senior secured notes contain incurrence covenants which restrict any addition of debt subject to the achievement of certain financial metrics. The Company also is seeking alternatives to repay the preferred partnership units which would improve cash flow and potentially reduce the overall debt levels.

Should the Company not achieve its budgeted results or not complete alternative financing arrangements to reduce its total debt, excluding convertible debt, the Company may need to work with its senior lenders to amend its financial performance covenants for its Revolving Credit Facility which currently has an outstanding balance of $16,500.

Cash Flow

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

Operating Activities

For the three and nine month periods ended September 30, 2013, cash provided by operating activities was $4,895 and $11,555, compared to $3,402 and $501 for the three and nine month periods ended September 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 six consecutive quarters. In addition, included in operating activities are transaction and restructuring costs incurred of $1,051 and $3,464 for the three and nine month periods ended September 30, 2013. Cash provided by operating activities, exclusive of transaction and restructuring costs, was $5,946 and $15,019 for the three and nine month periods ended September 30, 2013.

$000's (except for per share amounts)

Investing Activities

For the three and nine month periods ended September 30, 2013, the Company used $2,311 and $7,608 for investing activities as compared to $226 and $22,920 for the three and nine month periods ended September 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 $2,316 and $6,813 for the three and nine month periods ended September 30, 2013 as compared to $1,408 and $5,388 for the same periods in the prior year. These increases can mainly be attributed to costs associated with the integrated IT system implementation in the Company's retail and home medical segment. Overall, the Company's operations tend to require minimal levels of capital investment.

Financing Activities

During the nine month period ended September 30, 2013, the Company repaid $188,253 for its Term Loan and original Revolving Facility from the net proceeds of $194,059 which were received from the issuance of second lien senior secured notes in April 2013. For the three and nine month periods ended September 30, 2013, the Company borrowed an additional $16,500 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 $1,733 and $11,313 in cash interest on its borrowings for the three and nine month periods ended September 30, 2013.

Contractual Commitments[4]

The Company's contractual commitments at September 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	16,500	—	16,500	—	—
Operating leases	72,376	14,056	24,900	17,380	16,040
Interest payments on borrowings	81,422	20,220	34,500	26,702	—
Finance leases	348	205	143	—	—
	370,646	34,481	76,043	244,082	16,040
Preferred partnership units[5]	35,500	35,500	—	—	—
	406,146	69,981	76,043	244,082	16,040

[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 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 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 which may be settled in cash or common shares at the option of the holder 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. Subsequent to September 30, 2013, the $5,000 convertible debt with a related party was renegotiated which included its maturity being extended to April 30, 2018.

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 September 30, 2013, the Company had total shares outstanding of 151,135,047. 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 and cancellation 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 132,577,577 common shares outstanding as at September 30, 2013 and 121,389,445 shares outstanding at December 31, 2012.

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 on July 3, 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.

During the nine months ended September 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 August 30, 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 $0.44 per share.

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 September 30, 2013, there were a total of 8,204,500 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $1.42, expiring at various dates through 2017. The number of exercisable options at September 30, 2013, was 3,803,500 with a weighted average exercise price of $1.38.

As at September 30, 2013, there were a total of 1,601,046 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 September 30, 2013, there were 33,078,390 warrants outstanding at a weighted average exercise price of $0.72 During the three and nine month periods ended September 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 September 30, 2013 be exercised, the Company would receive proceeds of $26,241.

As at the date of this report, November 5, 2013, the number of shares outstanding, including escrowed shares, is 151,920,762; the number of options outstanding is 8,196,000; the number of warrants outstanding is 30,175,574; and the number of restricted share units outstanding is 1,601,046. 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

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 an aggregate of 40,901,287 shares or approximately 27% of the issued and outstanding common shares of the Company as at September 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 on July 3, 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 nine period ended September 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 nine month periods ended September 30, 2013, the Company incurred $21 and $70 (three and nine month periods ended September 30, 2012 - $34 and $129) in GHIS travel and related expenses, $85 and $259 (three and nine month periods ended September 30, 2012 - $467 and $617) in interest on related party amounts, $nil and $nil (three and nine month periods ended September 30, 2012 - $300 and $900) in advisory fees and $nil and $nil (three and nine month periods ended September 30, 2012 - $42 and $192) for completion fees.

Included in trade payables and other amounts at September 30, 2013 and December 31, 2012 are $4,227 and 4,976, respectively, due to GHIS; and $ 76 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. On November 5, 2013, the Company renegotiated this promissory note such that its maturity date will be April 30, 2018 and the warrants to purchase common shares will expire on April 30, 2018. The conversion price for the note and the strike price for the warrants will be he greater of 20% of the five day volume weighted average price of the Company's common shares at November 9, 2013 and $0.46. The conversion of the note is at the option of the holder.

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 September 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 September 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 September 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 September 30 of each year to determine whether or not any impairment in the goodwill and intangible balances recorded exists. In addition, on a quarterly basis, management assesses the reasonableness of assumptions used for the valuation to determine if further impairment testing is required. Management has determined, using the above-noted valuation methods, that there was no impairment of goodwill or indefinite life intangible assets as at September 30, 2013, except for an impairment of goodwill of $26,000 mainly related to regulatory changes in the Physiotherapy - Seniors Wellness CGU and for the Retail and Home Medical CGU. In addition, the Company recorded an impairment of $15,007 related to OHIP billing privileges and trademarks related to the Physiotherapy - Seniors Wellness CGU which were impacted by the change in regulations and funding implemented by the Ontario Ministry of Health and Long Term Care in August 2013. The Company completed a reconciliation between their market capitalization and the fair value of their CGUs in order to confirm the conclusions 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 nine month periods ended September 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 was included in proceedings as part of the Designated Physiotherapy Clinics Association of Ontario who sought 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 three judge panel accepted the changes and they came into force on August 22, 2013. The Company is in the process of adjusting its business model as a result of these regulatory changes and has provided its best estimate of its future impact. The actual future operating results may differ from the Company's estimates due to the current uncertainty during this transition period for the delivery of physiotherapy services to seniors in Ontario.

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, retirement homes and long-term care homes and patients, there is little to prevent the entrance of those wishing to provide similar services to those provided by Centric 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. The Company has entered into agreements with long-term care and retirement homes for the provision of pharmacy, physiotherapy and retail and home medical products and services. As these agreements reach their conclusion, there can be no assurances that the counterparties will renew or extend these agreements.

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. Where the Company has material contracts with a counterparty to provide products and/or services, the termination of such contracts could have an impact on the financial results of an operating segment.

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 November 5, 2013, the Company renegotiated this promissory note such that its maturity date will be April 30, 2018 and the warrants to purchase common shares will expire on April 30, 2018. The conversion price for the note and the strike price for the warrants will be the greater of 20% of the five day volume weighted average price of the Company's common shares at November 9, 2013 and $0.46. The conversion of the note is at the option of the holder.

Additional Information

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

Unaudited Interim Consolidated Financial Statements
For the three and nine month periods ended September 30, 2013 and 2012

(in thousands of Canadian dollars)

Dated: November 5, 2013

Index

Centric Health Corporation
Unaudited Interim Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	**September 30, 2013**	December 31, 2012 (Restated - note 1)
	$	$
Assets		
Current assets		
Cash and cash equivalents	**—**	594
Trade and other receivables	**56,706**	58,325
Inventories (note 4)	**31,576**	27,729
Income taxes recoverable	**—**	187
Prepaid expenses	**2,359**	2,258
	90,641	89,093
Non-current assets		
Property and equipment (note 7)	**25,800**	25,002
Goodwill and intangible assets (note 7)	**293,154**	353,720
Deferred income tax assets (note 10)	**22,057**	18,285
Loans receivable	**219**	444
Investments in franchisees	**208**	208
Total assets	**432,079**	486,752
Liabilities		
Current liabilities		
Bank indebtedness	**1,289**	—
Trade payables and other amounts (notes 12 and 13)	**62,197**	66,186
Current portion of borrowings (note 8)	**4,918**	19,576
Current portion of finance lease liabilities	**205**	911
Current portion of contingent consideration (note 6)	**643**	5,389
Preferred partnership units (note 9)	**35,500**	—
Income taxes payable	**1,686**	—
	106,438	92,062
Non-current liabilities		
Borrowings (note 8)	**246,202**	184,612
Preferred partnership units (note 9)	**—**	65,500
Contingent consideration (note 6)	**3,012**	11,580
Finance lease liabilities	**143**	256
Deferred income tax liabilities (note 10)	**15,050**	26,932
Deferred lease incentives	**2,718**	1,472
Derivative liability portion of convertible borrowings (note 8)	**2,362**	8,409
Derivative financial instruments (note 8)	**96**	823
Total liabilities	**376,021**	391,646
Equity		
Share capital (note 14)	**97,886**	92,201
Warrants	**6,697**	6,256
Contributed surplus	**10,397**	7,928
Equity portion of convertible borrowings	**6,498**	6,498
Accumulated other comprehensive income	**33**	201
Deficit	**(66,229)**	(18,731)
Equity attributable to shareholders of Centric Health Corporation	**55,282**	94,353
Non-controlling interests	**776**	753
Total equity	**56,058**	95,106
Total liabilities and equity	**432,079**	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 September 30,		For the nine month periods ended September 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Revenue	**110,614**	107,358	**346,079**	325,734
Cost of healthcare services and supplies	**55,668**	54,727	**174,563**	164,536
General and administrative expenses (note 3)	**54,183**	51,624	**170,590**	150,299
Transaction and restructuring costs (note 5)	**1,051**	3,861	**3,464**	8,642
(Loss) income from operations	**(288)**	(2,854)	**(2,538)**	2,257
Interest expense (note 11)	**8,403**	7,134	**27,889**	17,788
Change in fair value of derivative financial instruments (note 8)	**(1,656)**	(261)	**(5,115)**	(418)
Change in fair value of contingent consideration liability (note 6)	**(2,982)**	(1,680)	**(9,974)**	(45,271)
Impairments (note 7)	**41,007**	—	**41,007**	—
(Loss) income before income taxes	**(45,060)**	(8,047)	**(56,345)**	30,158
Income tax recovery (note 10)	**(5,804)**	(1,774)	**(9,101)**	(1,284)
Net (loss) income	**(39,256)**	(6,273)	**(47,244)**	31,442
Other comprehensive (loss) income:				
Amortization of deferred gain on interest rate swaps	**(5)**	20	**(168)**	20
Change in fair value of interest rate swaps designated as hedges (note 8)	**—**	—	**—**	(314)
Comprehensive (loss) income	**(39,251)**	(6,293)	**(47,076)**	31,736
Net (loss) income attributable to:				
Shareholders of Centric Health Corporation	**(39,274)**	(6,352)	**(47,498)**	31,238
Non-controlling interests	**18**	79	**254**	204
Comprehensive (loss) income attributable to:				
Shareholders of Centric Health Corporation	**(39,269)**	(6,372)	**(47,330)**	31,532
Non-controlling interests	**18**	79	**254**	204
Basic (loss) earnings per common share	**($0.30)**	($0.05)	**($0.37)**	$0.28
Diluted (loss) earnings per common share	**($0.30)**	($0.05)	**($0.37)**	$0.24
Weighted average number of common shares outstanding (in thousands) (note 14)				
Basic	**132,246**	116,856	**127,668**	111,714
Diluted	**184,955**	130,414	**181,783**	129,635

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	687,500	482	—	(174)	—	—	—	308	—	308
Public offerings	463,163	581	1,624	—	5,655	—	—	7,860	—	7,860
Shares issued on acquisition	3,597,632	6,140	—	—	—	—	—	6,140	—	6,140
Shares released from the escrow or issued as contingent consideration	17,717,240	21,897	—	—	—	—	—	21,897	—	21,897
Issuance of common shares	450,000	482	—	(482)	—	—	—	—	—	—
Change in fair value of interest rate swaps	—	—	—	—	—	314	—	314	—	314
Amortization of deferred gain on interest rate swap	—	—	—	—	—	(20)	—	(20)	—	(20)
Deferred compensation expense	782,227	24	16	2,913	—	—	—	2,953	—	2,953
Cancellation of restricted shares	(600,000)	—	—	(337)	—	—	—	(337)	—	(337)
Cash settlement of restricted share units	—	—	—	(40)	—	—	—	(40)	—	(40)
Non-controlling interest purchase price allocation adjustment	—	—	—	—	—	—	—	—	(398)	(398)
Payments to non-controlling interests	—	—	—	—	—	—	—	—	(140)	(140)
Net income for the period	—	—	—	—	—	—	31,238	31,238	204	31,442
Balance at September 30, 2012	**121,318,016**	**92,131**	**6,233**	**6,139**	**6,498**	**221**	**19,000**	**130,222**	**147**	**130,369**
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	1,614,722	858	—	(264)	—	—	—	594	—	594
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	—	—	—	—	—	(30)	—	(30)	—	(30)
Shares issued to GHIS for an amended consulting agreement	4,802,311	1,921	—	(1,921)	—	—	—	—	—	—
Deferred compensation expense	200,000	253	70	4,357	—	—	—	4,680	—	4,680
Payments to non-controlling interests	—	—	—	—	—	—	—	—	(231)	(231)
Net (loss) income for the period	—	—	—	—	—	—	(47,498)	(47,498)	254	(47,244)
Balance at September 30, 2013	**132,577,577**	**97,886**	**6,697**	**10,397**	**6,498**	**33**	**(66,229)**	**55,282**	**776**	**56,058**

[1] Excludes 18,557,470 of contingent shares held in escrow and restricted shares at September 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 September 30,		For the nine month periods ended September 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Cash provided by (used in):				
Operating activities				
Net (loss) income for the period	**(39,256)**	(6,273)	**(47,244)**	31,442
Adjustments for:				
Interest expense (note 11)	**8,403**	7,134	**27,889**	17,788
Change in fair value of derivative financial instruments (note 8)	**(1,656)**	(261)	**(5,115)**	(418)
(Gain) loss on disposal of property and equipment	**—**	—	**(5)**	44
Depreciation of property and equipment	**2,010**	1,865	**5,791**	5,229
Amortization of finite-life intangible assets	**6,663**	4,698	**20,321**	13,886
Amortization of lease incentives	**217**	172	**354**	231
Leasehold inducements	**113**	364	**893**	494
Income taxes paid	**(3,367)**	(844)	**(4,535)**	(5,077)
Income tax recovery	**(5,804)**	(1,774)	**(9,101)**	(1,284)
Stock-based compensation expense	**724**	1,266	**5,946**	2,952
Impairments	**41,007**	—	**41,007**	—
Change in the fair value of contingent consideration liability (note 6)	**(2,982)**	(1,680)	**(9,974)**	(45,271)
Net change in non-cash working capital items (note 19)	**(1,177)**	(1,265)	**(14,672)**	(19,515)
Cash provided by operating activities	**4,895**	3,402	**11,555**	501
Investing activities				
Purchase of intangible assets (note 7)	**(321)**	—	**(863)**	(247)
Purchase of property and equipment (note 7)	**(1,995)**	(1,408)	**(5,950)**	(5,141)
Acquisition of businesses (note 5)	**—**	1,104	**(86)**	(16,545)
Payment of contingent consideration (note 6)	**(70)**	(114)	**(934)**	(1,311)
Decrease in loans receivable from franchisees	**75**	192	**225**	324
Cash used in investing activities	**(2,311)**	(226)	**(7,608)**	(22,920)
Financing activities				
Bank indebtedness	**1,289**	—	**1,289**	—
Interest paid	**(1,733)**	(5,704)	**(11,313)**	(15,213)
Repayment of borrowings	**—**	(3,125)	**(188,253)**	(24,375)
Proceeds from second lien senior secured notes, net of loan arrangement costs	**(158)**	—	**194,059**	—
Proceeds from Term Loan and Revolving Facility, net of loan arrangement costs	**—**	(21,320)	**14,945**	20,885
(Repayment) proceeds from new Revolving Facility (note 8)	**(1,600)**	—	**16,500**	—
Repayment of preferred partnership units (note 9)	**—**	—	**(30,000)**	—
Repayment of finance leases	**(296)**	(350)	**(818)**	(1,092)
Payments to non-controlling interests	**(121)**	(140)	**(231)**	(140)
Proceeds on disposal of property and equipment	**—**	—	**5**	—
Settlement of interest rate swaps (note 8)	**—**	—	**(966)**	—
Issuance of common shares, warrants and convertible debt, net of issuance costs	**35**	25,059	**242**	43,041
Cash (used in) provided by financing activities	**(2,584)**	(5,580)	**(4,541)**	23,106
(Decrease) increase in cash and cash equivalents	**—**	(2,404)	**(594)**	687
Cash and cash equivalents, beginning of period	**—**	3,498	**594**	407
Cash and cash equivalents, end of period	**—**	1,094	**—**	1,094

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 nine month periods ended September 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 November 5, 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. In the current year, the Company has changed the date of its annual impairment test for goodwill and indefinite life intangible asset to August 31st from December 31st in order to ensure timely completion and reporting of the Company's year end financial statements. The annual impairment test for goodwill and indefinite life intangible assets will be completed annually as at August 31st.

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 effective for financial periods ending before or on December 31, 2013 and 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 establishes quantitative return on capital criteria, which it reviews with management on a regular basis. The Company defines capital to include share capital, warrants and the stock option component of its shareholders' equity as well as its 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 equity-like securities such as convertible debt, or by replacing existing debt with debt on terms more consistent with the Company's needs.

2. Capital Management and Financing - continued

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 offering 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 its existing credit agreement to provide a new Revolving Facility with a limit of $50,000. During the second quarter of 2013, the Company also paid an additional $20,000 of the 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, including a total debt to earnings ratio which decreases from its current level in the fourth quarter of 2013 and further decreases in the second quarter of 2014. The Company's second lien senior secured notes contain incurrence covenants which restrict any addition of debt subject to the achievement of certain financial metrics. Further details of these transactions are discussed in notes 8 and 9.

The issuance of the $200,000 second lien senior secured notes better positions the Company for its longer term capital requirements. Further improvements to the capital structure are being considered through the repayment of the remaining higher cost preferred partnership units through other financing alternatives. In addition, the $5,000 convertible loan due to Jamon Investments LLC ("Jamon"), a related party, which was due November 9, 2013 has been refinanced based on the terms as described in note 13.

The Company has finalized its operating budget for 2014 which incorporates funding reductions in Ontario from the Ministry of Health and Long Term Care for seniors physiotherapy services and incorporates other planned growth and operational improvement initiatives. Notwithstanding the annualized impact of these changes, the Company's 2014 budget reflects an improvement over the Company's expected 2013 results through organic growth and cost containment initiatives. Based on its 2014 operating budget, cash flow management initiatives and alternative financing arrangements being considered, the Company believes it will be in compliance with the new financial performance covenants for the Revolving Facility at each quarterly measurement date through to the end of 2014. The Company also anticipates that based on meeting its 2014 operating budget, it will generate sufficient cash flow from operations in 2014 to meet its obligations as they come due. There can be no assurance that the Company will be successful in achieving the results as set out in its operating plan for each of the quarters in 2014.

Should the Company not achieve its budgeted results or not complete alternative financing arrangements to reduce its total debt, excluding convertible debt, the Company may need to work with its senior lenders to amend its financial performance covenants for its Revolving Credit Facility which currently has an outstanding balance of $16,500.

(in thousands of Canadian dollars)

3. General and Administrative Expenses

The components of general and administrative expenses are as follows:

	For the three month periods ended September 30,		**For the nine month periods ended September 30,**	
	2013	2012	**2013**	2012
	$	$	**$**	$
Employee costs	**25,638**	24,611	**80,630**	71,419
Other operating expenses	**15,308**	15,038	**46,291**	44,383
Corporate office expenses	**3,840**	4,146	**11,616**	12,386
Depreciation and amortization	**8,673**	6,563	**26,112**	19,115
Stock-based compensation expense	**724**	1,266	**5,946**	2,952
(Gain) loss on disposal of property and equipment	**—**	—	**(5)**	44
	54,183	51,624	**170,590**	150,299

4. Inventories

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

	September 30, 2013	December 31, 2012 (Restated - note 1)
	$	$
Retail and home medical equipment	**25,853**	22,232
Medical supplies and prescription drugs	**5,723**	5,497
	31,576	27,729

There were no reversals of inventory provisions for the three and nine month periods ended September 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. Start-up costs for new initiatives are costs incurred by the Company for a new business initiative prior to this initiative generating any revenue. Restructuring costs include costs associated with closed clinic locations and other staffing reductions.

(in thousands of Canadian dollars)

5. Business Combinations - continued

Transaction and restructuring costs for the three and nine month periods ended September 30, 2013 consist of the following:

	For the three month periods ended September 30,		**For the nine month periods ended September 30,**	
	2013	2012	**2013**	2012
	$	$	**$**	$
Transaction costs	**8**	566	**146**	2,630
Start-up costs	**52**	76	**367**	76
Restructuring costs	**991**	3,219	**2,951**	5,936
	1,051	3,861	**3,464**	8,642

At September 30, 2013, the Company had accrued liabilities related to restructuring costs of $2,114 (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	1,951	96	695	**2,742**
Payments	(3,625)	(556)	(1,079)	**(5,260)**
Balance at September 30, 2013	**959**	**1,107**	**48**	**2,114**

(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, Physiotherapy clinics, Retail and Home Medical and Pharmacy are final. During the nine month period ended September 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 September 30, 2013 $
Blue Water	Aug. 17, 2011	3 years	—	4,102,564	3,076,923	0 – 566	0%	—
Performance	Dec. 8, 2011	2 years	—	1,500,000	2,000,000	0 – 671	0%	—
Motion Specialties	Feb. 13, 2012	3 years	10,000	6,500,000	7,500,000	0 – 11,474	0% - 50%	**2,863**
Other	Various	3 years	180	2,023,208	2,035,934	0 – 1,015	0% - 100%	**792**
Total			**10,180**	**14,125,772**	**14,612,857**	**0 – 13,726**		**3,655**

[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. The maximum possible contingent consideration has been valued at $13,726 based on the share price of the Company's common shares on September 30, 2013 ($0.40 per share) less a discount to reflect that the shares are not freely tradeable.

During the nine month period ended September 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)	(9,117)	(509)	**(9,974)**
Contingent consideration settled in shares	(1,602)	—	(136)	**(1,738)**
Contingent consideration settled in warrants	(668)	—	—	**(668)**
Contingent consideration settled in cash	—	—	(934)	**(934)**
Total contingent consideration	**—**	**2,863**	**792**	**3,655**
Less: current portion	**—**	**—**	**643**	**643**
Non-current portion at September 30, 2013	**—**	**2,863**	**149**	**3,012**

The above table includes contingent consideration payable in cash, subject to achieving performance milestones, in the amount of $2,501 at September 30, 2013 of which $180 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	—	863	863	6,586
Acquisitions	—	—	—	3
Disposals	—	—	—	—
Purchase price allocation	(457)	356	(101)	—
Amortization	—	(20,321)	(20,321)	(5,791)
Impairment	(26,000)	(15,007)	(41,007)	—
Nine month period ended September 30, 2013	**186,888**	**106,266**	**293,154**	**25,800**
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 September 30, 2013				
Cost	**283,576**	**191,891**	**475,467**	45,049
Accumulated amortization and impairment	**(96,688)**	**(85,625)**	**(182,313)**	(19,249)
Net carrying value	**186,888**	**106,266**	**293,154**	**25,800**

Included in property and equipment additions for the nine month period ended September 30, 2013 are $636 of non-cash leasehold improvements.

The Company has $1,947 of indefinite life intangible assets at September 30, 2013 (December 31, 2012 - $14,572).

During the three month period ended September 30, 2013, the Company identified an indicator of impairment with regards to its OHIP billing privileges and trademark related to the Company's Physiotherapy - Senior's Wellness CGU. Effective August 22, 2013, the OHIP billing privileges ceased as a result of an industry-wide change in the delivery of physiotherapy for seniors in the province of Ontario. These billing privileges previously had an indefinite useful life. As a result, the Company has recorded non-cash impairments of $12,625 related to these licenses, $2,382 related to the trademarks associated with the delivery of these services, and $15,000 of goodwill. This goodwill impairment charge was valued as part of the Company annual impairment test of goodwill and indefinite life intangible assets which has been completed as at August 31, 2013.

7. Goodwill, Intangible Assets and Property and Equipment - continued

As part of its annual impairment test of goodwill and indefinite life intangible assets, the Company measured its recoverable amount based on the fair value of the CGU less its cost of disposal. The Company used a capitalized cash flow approach which involves capitalizing the estimated future maintainable discretionary after-tax cash flows from operations using a rate of return, which serves as a measure of the rate of return required by a prospective purchaser of the business reflecting, among other factors, the risk inherent in achieving the determined level of maintainable cash flow. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates. The maintainable discretionary after-tax cash flows from operations are based on historical results, the Company's projected results to December 31, 2013 and the Company's 2014 operating budget.

For the purposes of the 2013 annual impairment test, the Company has also used a discounted cash flow approach to determine the recoverable amounts for CGUs who are expected to reach their maintainable discretionary after-tax cash flows from operations in future years after restructuring and process re-engineering to optimal levels. This approach utilizes many of the same assumptions as the capitalized cash flow approach. The discounted cash flow approach is, however, based on the after-tax cash flows from operations determined based on projections for the year ending December 31, 2013, the 2014 operating budget, an estimate of the 2015 operating budget and a terminal operating budget. The Company used the discounted cash flow approach for the Physiotherapy - Seniors Wellness, Retail and Home Medical and Surgical - Eastern Canada CGUs.

The Company identified eight CGUs as part of its goodwill impairment testing. The Company allocated indefinite life intangible assets of $1,026 to the Surgical - Eastern Canada CGU, $630 to the Pharmacy CGU and $291 to the Physiotherapy - Clinics CGU.

The Company projected normalized revenue, operating margins, and cash flows and applied a perpetual long-term growth rate. In arriving at its forecasts, the Company considered past experience, economic trends and inflation as well as industry and market trends.

The Company assumed a discount rate in order to calculate the present value of its capitalized cash flows. The discount rate represented a weighted average cost of capital (“WACC”) for comparable companies operating in similar industries as the applicable CGU, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of the CGU. Lower discount rates were applied to CGUs whose cash flows are expected to be less volatile due to factors such as the maturity of the market they serve and their market position. Higher discount rates were applied to CGUs whose cash flows are expected to be more volatile due to competition.

The tax rates applied to the cash flow projections were based on the statutory tax rate of the Company of approximately 26.5%. Tax assumptions are sensitive to changes in tax laws as well as assumptions about the jurisdictions in which profits are earned. It is possible that actual tax rates could differ from those assumed.

(in thousands of Canadian dollars)

7. Goodwill, Intangible Assets and Property and Equipment - continued

The recoverable amount of the Company's CGUs are considered to be level 3 fair value calculations as described in note 14. The assumptions used by the Company in its goodwill impairment testing are as follows:

CGU	Goodwill $	Terminal Growth Rate	Discount Rate
Physiotherapy – Clinics	67,172	2%	9.5%
Physiotherapy - Seniors Wellness	48,269	2%	11.5%
Assessments	32,457	2%	10.0%
Retail and Home Medical	19,026	2%	12%
Pharmacy	30,802	2%	9.5%
Surgical - Western Canada	10,184	2%	10.0%
Surgical - Eastern Canada	3,930	2%	10.5%
Orthotics	1,048	2%	10.5
	212,888	**2.0%**	**10.2%**

At September 30, 2013, the fair value for each CGU, other than the Physiotherapy - Seniors Wellness, Retail and Home Medical, and Surgical - Eastern Canada were in excess of their carrying value. The impairments for the Physiotherapy - Seniors Wellness CGU of $15,000, the Retail and Home Medical CGU of $10,000 and the Surgical - Eastern Canada CGU of $1,000 are a result of the carrying value of the CGU being in excess of its fair value. The impairment of the Retail and Home Medical CGU was mainly a result of higher than anticipated working capital levels which impacted on the overall fair value of the CGU in addition to financial performance which has been lower than anticipated due to revenue initiatives with a longer sales cycle and process re-engineering initiatives to drive margin growth which are not expected to be completed until 2014. The impairment of the Surgical - Eastern Canada CGU was a result of lower than anticipated financial performance due to the restructuring of this business.

The Company has completed a reconciliation of the calculated fair value of its equity based on the recoverable amounts determined for each CGU to its market capitalization as at September 30, 2013. Based on this reconciliation, the Company believes that the differential between the calculated fair value of its equity and its market capitalization is within an acceptable range.

The Company has assessed whether a reasonable change in assumptions would cause the recoverable amount for any of its CGUs for which no impairment charge was recorded to be less than its carrying value. The Company has defined a reasonable change in assumptions to be a 1% increase in the discount rate. The Company has found that a 1% increase in the discount rate would not result in the recoverable amount for any of these CGUs to become less than their carrying value.

(in thousands of Canadian dollars)

8. Borrowings

Borrowings consist of the following:

	September 30, 2013	December 31, 2012
	$	$
Term Loan	**—**	127,500
Second lien senior secured notes	**200,000**	—
Loan arrangement costs[4]	**(5,402)**	(5,202)
Revolving Facility	**16,500**	45,477
Convertible debt	**53,388**	53,388
Unaccreted discount on convertible debt	**(17,437)**	(20,011)
Fair value of redemption features[5]	**(847)**	(1,540)
Related party convertible loan (note 13)	**5,000**	5,000
Unaccreted discount on related party convertible loan (note 13)	**(82)**	(424)
Total borrowings	**251,120**	204,188
Less: current portion of borrowings	**4,918**	19,576
Total non-current borrowings	**246,202**	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.

[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 $nil at inception and at September 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. The Company was in compliance with these financial performance covenants at September 30, 2013. 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.

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.

(in thousands of Canadian dollars)

8. Borrowings - continued

The Company's convertible debt at September 30, 2013, excluding related party convertible debt, consists of the following, of which the interest and principal can be settled in common shares at the option of the Company:

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 nine month period ended September 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	**(2,574)**	(1,929)
Unaccreted discount on convertible borrowings, end of period	**17,437**	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 September 30, 2013, the fixed interest rate on the Company's remaining $25,000 interest rate swap was approximately 5.12% and the floating interest rate was based on the three month Canadian Bankers' Acceptance rate.

The continuity of the redemption features are as follows:

	For the nine month period ended September 30, 2013	For the year ended December 31, 2012
	$	$
Redemption feature, beginning of period	**(1,540)**	—
Redemption feature from convertible debt	**—**	(3,140)
Change in fair value of redemption features	**693**	1,600
Redemption features, end of period	**(847)**	(1,540)

(in thousands of Canadian dollars)

8. Borrowings - continued

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

	For the three month periods ended September 30,		**For the nine month periods ended September 30,**	
	2013 **$**	2012 $	**2013** **$**	2012 $
Change in fair value of interest rate swaps	**60**	(261)	**239**	(418)
Change in fair value of redemption feature	**(1,137)**	—	**693**	—
Change in fair value of derivative liability portion of convertible borrowings	**(579)**	—	**(6,047)**	—
	(1,656)	(261)	**(5,115)**	(418)

The continuity of the derivative financial instruments is as follows:

	For the nine month period ended September 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	**239**	(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	**96**	823

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

	For the nine month period ended September 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	**(6,047)**	(2,872)
Derivative liability portion of convertible borrowings, end of year	**2,362**	8,409

[6] Balances are net of transaction costs.

(in thousands of Canadian dollars)

8. Borrowings - continued

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 September 30, 2013 are as follows:

	Directed share program	Public debt	Private placement redemption feature
Expected volatility	56.56%	56.56%	56.56%
Risk-free interest rate	1.81%	2.04%	1.61%
Credit spread	20.41%	20.41%	20.41%

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 until 2084, 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 26.5% (December 31, 2012 - 26.5%) due to permanent differences. Permanent differences in the nine month period ended September 30, 2013 arose as a result of impairment charges and 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 asset (liability) on the statement of financial position is as follows:

	September 30, 2013	December 31, 2012
	$	$
Deferred income tax asset	**22,057**	18,285
Deferred income tax liability	**15,050**	26,932
Net deferred income tax asset (liabilities)	**7,007**	(8,647)

At September 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 September 30, 2013 and December 31, 2012, the Company had $60,419 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 September 30, 2013 and December 31, 2012 in respect of certain non-capital losses. At September 30, 2013 and December 31, 2012, deferred tax assets of $40 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 nine month periods ended September 30, 2013 and 2012 is comprised of the following:

	For the three month periods ended September 30,		**For the nine month periods ended September 30,**	
	2013 **$**	2012 $	**2013** **$**	2012 $
Interest on long-term loan, revolving facilities and second lien senior secured notes	**4,929**	3,060	**12,067**	8,540
Amortization of loan arrangement fees	**475**	471	**6,157**	1,301
Interest on related party amounts	**160**	467	**483**	617
Accretion of related party loan discounts	**119**	96	**343**	287
Interest on capital leases	**27**	15	**58**	72
Amortization of deferred gain on interest rate swap	**(5)**	(20)	**(168)**	(20)
Interest on convertible debt	**809**	378	**2,401**	854
Accretion on convertible debt	**901**	912	**2,574**	1,036
Interest expense before distributions for preferred partnership units	**7,415**	5,379	**23,915**	12,687
Distributions for preferred partnership units	**991**	1,755	**3,984**	5,130
Total interest expense	**8,406**	7,134	**27,899**	17,817
Interest income	**(3)**	—	**(10)**	(29)
Net interest expense	**8,403**	7,134	**27,889**	17,788

12. Trade Payables and Other Amounts

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

	September 30, 2013	December 31, 2012
	$	$
Trade payables	**34,291**	33,243
Accrued liabilities	**20,652**	21,839
Deferred revenue	**913**	1,496
Amounts payable to GHIS (note 13)	**4,227**	4,976
Restructuring costs (note 5)	**2,114**	4,632
	62,197	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, who own 40,901,287 shares or approximately 27% of the issued and outstanding common shares of the Company as at September 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 on July 3, 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 nine period ended September 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 nine month periods ended September 30, 2013, the Company incurred $21 and $70 (three and nine month periods ended September 30, 2012 - $34 and $129) in GHIS travel and related expenses, $85 and $259 (three and nine month periods ended September 30, 2012 - $467 and $617) in interest on related party amounts, $nil and $nil (three and nine month periods ended September 30, 2012 - $300 and $900) in advisory fees and $nil and $nil (three and nine month periods ended September 30, 2012 - $42 and $192) for completion fees.

Included in trade payables and other amounts at September 30, 2013 and December 31, 2012 are $4,227 and 4,976, respectively, due to GHIS; and $ 76 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. On November 5, 2013, the Company renegotiated this promissory note such that its maturity date will be April 30, 2018 and the warrants to purchase common shares will expire on April 30, 2018. The conversion price for the note and the strike price for the warrants will be the greater of 20% of the five day volume weighted average price of the Company's common shares at November 9, 2013 and $0.46. The conversion of the note is at the option of the holder.

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 nine month period ended September 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**	**253**	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**	—	—
Shares issued to GHIS for an amended consulting agreement	**4,802,311**	**1,921**	—	—
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	**1,614,722**	**858**	687,500	482
Balance, end of period	**132,577,577**	**97,886**	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 nine month period ended September 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 September 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 nine month period ended September 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 September 30, 2013 are:

Type of common shares	
Freely tradeable	132,577,577
Escrowed and restricted	18,557,470
Total	**151,135,047**

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

	For the nine month period ended September 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	**(700,000)**	**0.35**	(687,500)	0.45
Options expired	**(275,000)**	**0.77**	—	—
Options cancelled /forfeited	**(2,045,000)**	**1.16**	(1,368,500)	1.48
Balance, end of period	**8,204,500**	**$1.42**	11,224,500	$1.29
Exercisable, end of period	**3,803,500**	**$1.38**	4,729,875	$1.06

The weighted-average remaining contractual life and weighted‑average exercise price of options outstanding as at September 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**
$0.31 - $0.50	125,000	0.31	0.7	125,000	0.31
$0.51 - $1.00	2,265,000	0.87	3.0	803,750	0.82
$1.01 - $1.50	1,100,000	1.03	1.2	825,000	1.03
$1.51 - $1.88	4,714,500	1.81	2.9	2,049,750	1.80
	8,204,500	**1.42**	**2.7**	**3,803,500**	**1.38**

(in thousands of Canadian dollars)

14. Shareholders' Equity and Earnings per Share - continued

On August 30, 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 $0.44 per share.

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 nine month period ended September 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	**1,918,555**	**0.49**	615,000	0.75
Restricted share units exercised	**(914,715)**	**0.49**	—	—
Restricted share units canceled	**(12,794)**	**0.49**	(5,000)	0.75
Balance, end of period	**1,601,046**	**0.59**	610,000	0.75

The weighted-average remaining contractual life of restricted share units outstanding as at September 30, 2013 is 1.4 years.

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

	For the nine month period ended September 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 September 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	1.3	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 unvested shares, 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 unvested shares, 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 basic and diluted weighted average shares outstanding for the three and nine month periods ended September 30, 2013 and 2012.

	For the three month periods ended September 30,		For the nine month periods ended September 30,	
	2013	2012	**2013**	2012
Basic weighted average shares outstanding	**132,246,353**	116,856,241	**127,668,089**	111,714,227
Dilutive effect of unvested shares	**498,048**	1,615,000	**233,942**	1,615,000
Dilutive effect of share options	**100,511**	555,067	**274,122**	1,610,613
Dilutive effect of warrants	**2,937,835**	11,387,899	**4,434,207**	14,694,824
Dilutive effect of convertible debt	**49,172,347**	—	**49,172,347**	—
Diluted shares outstanding	**184,955,094**	130,414,207	**181,782,707**	129,634,664

Included in the basic weighted average shares outstanding are 4,802,311 common shares issued to GHIS which are currently subject to a hold period but are not tied to any performance conditions.

(in thousands of Canadian dollars)

15. Financial Instruments and Fair Value Measurements

At September 30, 2013, the Company's financial instruments consisted of cash, trade and other receivables, loans receivable, trade and other payables, contingent consideration, bank indebtedness, finance lease liabilities, borrowings, preferred partnership units, related party loans, convertible loans, derivative liabilities and redemption features 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 September 30, 2013 are as follows:

	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Contingent consideration	—	—	3,655	**3,655**
Derivative financial instruments	—	96	2,362	**2,458**
Loan redemption features	—	—	(847)	**(847)**
	—	**96**	**5,170**	**5,266**

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

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 nine month periods ended September 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 include the following:

	September 30, 2013	December 31, 2012
	$	$
Financial assets measured at cost or amortized cost		
Trade and other receivables	**56,706**	58,325
Loans receivable	**219**	444
Financial liabilities measured at cost or amortized cost		
Bank indebtedness	**1,289**	—
Trade payables and other amounts	**62,197**	66,186
Finance lease liability	**348**	1,167
Borrowings	**251,120**	204,188
Preferred partnership units	**35,500**	65,500

16. Commitments

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

	September 30, 2013	December 31, 2012
	$	$
Less than one year	**14,056**	13,653
Between one and five years	**42,280**	38,184
More than five years	**16,040**	17,950
Total	**72,376**	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 September 30, 2013						
	Physiotherapy $	**Pharmacy $**	**Retail & Home Medical Equipment $**	**Assessments $**	**Surgical and Medical $**	**Corporate $**	**Total $**
Revenue	40,437	26,845	26,830	9,249	7,253	—	**110,614**
Depreciation and amortization	3,173	1,806	1,730	1,045	750	169	**8,673**
Interest expense	—	—	—	—	—	8,403	**8,403**
Income (loss) before interest expense and income taxes[9]	1,898	1,812	(633)	1,113	(316)	(40,531)	**(36,657)**
Capital expenditures	512	522	468	6	413	395	**2,316**
Goodwill	100,441	30,802	10,074	32,457	13,114	—	**186,888**
Total assets	163,172	55,860	87,061	47,829	31,225	46,932	**432,079**
Total liabilities	89,501	10,949	59,848	48,404	9,547	157,772	**376,021**

[9] Included in the income before interest expense and income taxes for the Corporate segment are $41,007 of non-cash impairment charges, $2,982 of non-cash gains from the net decrease in the fair value of the contingent consideration liability for the period, $1,051 in transaction and restructuring costs and $1,656 of non-cash losses from the change in fair value of derivative financial instruments.

	For the nine month period ended September 30, 2013						
	Physiotherapy $	**Pharmacy $**	**Retail & Home Medical Equipment $**	**Assessments $**	**Surgical and Medical $**	**Corporate $**	**Total $**
Revenue	132,767	77,514	85,405	27,580	22,813	—	**346,079**
Depreciation and amortization	9,766	5,311	5,205	3,254	2,190	386	**26,112**
Interest expense	—	—	—	—	—	27,889	**27,889**
Income (loss) before interest expense and income taxes[10]	8,993	3,368	(1,015)	3,008	(847)	(41,963)	**(28,456)**
Capital expenditures	1,894	1,461	1,722	9	1,036	691	**6,813**

[10] Included in the income before interest expense and income taxes for the Corporate segment are $41,007 of non-cash impairment charges, $9,974 of non-cash gains from the net decrease in the fair value of the contingent consideration liability for the period, $3,464 in transaction and restructuring costs, and $5,115 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 September 30, 2012						
	Physiotherapy $	**Pharmacy $**	**Retail & Home Medical Equipment $**	**Assessments $**	**Surgical and Medical $**	**Corporate $**	**Total $**
Revenue	42,210	22,429	26,176	8,712	7,831	—	**107,358**
Depreciation and amortization	3,427	433	660	1,134	813	96	**6,563**
Interest expense	—	—	—	—	—	7,134	**7,134**
Income (loss) before interest expense and income taxes[11]	2,070	1,924	986	490	(473)	(5,910)	**(913)**
Capital expenditures	545	292	360	112	99	—	**1,408**
Goodwill	115,935	51,468	46,970	32,457	21,414	—	**268,244**
Total assets	175,939	73,901	117,136	62,613	45,835	26,320	**501,744**
Total liabilities	29,916	7,067	11,122	19,455	4,875	298,702	**371,137**

[11] Included in the income before interest expense and income taxes for the Corporate segment is $1,680 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period, $3,861 in transaction and restructuring costs and $261 of non-cash gains from the change in fair value of the derivative financial instrument.

	For the nine month period ended September 30, 2012						
	Physiotherapy $	**Pharmacy $**	**Retail & Home Medical Equipment $**	**Assessments $**	**Surgical and Medical $**	**Corporate $**	**Total $**
Revenue	132,898	69,109	69,643	28,380	25,704	—	**325,734**
Depreciation and amortization	9,989	1,223	1,721	3,387	2,503	292	**19,115**
Interest expense	—	—	—	—	—	17,788	**17,788**
Income (loss) before interest expense and income taxes[12]	9,767	6,089	3,804	1,589	105	26,592	**47,946**
Capital expenditures	2,198	1,143	1,153	469	425	—	**5,388**

[12] Included in the income before interest expense and income taxes for the Corporate segment is $45,271 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period, $8,642 in transaction and restructuring costs and $418 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 September 30,		For the nine month periods ended September 30,	
	2013 **$**	2012 $	**2013** **$**	2012 $
Trade and other receivables	**8,794**	1,483	**1,619**	2,713
Inventories	**(2,546)**	(1,060)	**(4,428)**	(3,145)
Prepaid expenses	**88**	28	**(102)**	(261)
Trade payables and other amounts	**(7,513)**	(1,716)	**(11,761)**	(18,822)
Total	**(1,177)**	(1,265)	**(14,672)**	(19,515)

20. Subsequent Events

On November 5, 2013, the Company renegotiated this promissory note such that its maturity date will be November 9, 2018 and the warrants to purchase common shares will expire on April 30, 2018. The conversion price for the note and the strike price for the warrants will be the greater of 20% of the five day volume weighted average price of the Company's common shares at November 9, 2013 and $0.46. The conversion of the note is at the option of the holder.