Management's Discussion and Analysis

For the three and six month periods ended June 30, 2014 and 2013

Dated: August 5, 2014

Index

Management's Discussion and Analysis

For the three and six month periods ended June 30, 2014 and 2013

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 2014 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 MD&A.

The following is a discussion of the consolidated financial position and the income and comprehensive income of Centric Health Corporation, ("Centric Health", "Centric" or the "Company") for the three and six month periods ended June 30, 2014 and 2013 and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. The MD&A should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto for the three and six month periods ended June 30, 2014 and 2013. The unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2014 and 2013 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, 2013 and 2012 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise specified, amounts reported in this MD&A are in thousands, except shares and per share amounts and percentages. The following MD&A is presented as of August 5, 2014. All amounts are disclosed in Canadian dollars. Additional information about the Company, including the most recently filed Annual Information Form, is available on www.sedar.com.

Highlights for the three and six month periods ended June 30, 2014

The second quarter of 2014 was transformational for Centric Health. The Company launched a strategic focus on its core businesses which resulted in definitive agreements for the potential divestitures of certain non-core businesses, and the closure of an underperforming surgical centre. The Company also continued to show strong growth in revenue and Adjusted EBITDA in its core operations, resolved a perceived conflict of interest matter and renegotiated lending arrangements. Centric Health is positioning itself for deleveraging its balance sheet and growing its core businesses as it moves forward.

As a result of the potential transactions to divest of non-core businesses, the resolution of a perceived conflict of interest matter and the closure of an underperforming surgical centre, the Company has segregated its results from operations between continuing and discontinued operations for the three and six month periods ended June 30, 2014.

Financial Performance

Revenue and Adjusted EBITDA[1] from continuing operations increased to $79.1 million and $7.5 million for the three month period ended June 30, 2014 from $72.7 million and $6.8 million for the same period in the prior year. Revenue and Adjusted EBITDA from continuing operations also increased for the six month period ended June 30, 2014 to $154.2 million and $14.0 million as compared to $139.6 million and $11.6 million for the comparative period in the prior year. These increases were driven by organic growth of over 7.5% in both periods across all operating segments and the accretive bariatric surgical acquisition completed in the fourth quarter of 2013.

The Company continued its focus on operational and working capital initiatives in the first half of 2014 which resulted in positive cash flow from operations for the ninth consecutive quarter. Additionally, in August 2014, as a result of the pending divestitures of certain non-core operations and subject to the completion of these divestitures, the Company received a waiver from a financial performance covenant at the September 30, 2014 measurement date and entered into amendments to certain financial performance covenants for the remaining measurement dates up to the maturity of the Revolving Facility in June 2015. The amendments to the financial performance covenants reflects the Adjusted EBITDA base of the Company pending the completion of the divestitures of its non-core businesses.

Sale of Non-Core Businesses

As part of Centric Health's long-term strategy, it determined that certain businesses did not fit with the Company's complement of services. As a result, during the second quarter of 2014, the Company entered into definitive agreements to sell substantially all of the assets of its retail and home medical operations and the assets of its methadone pharmacy operations for gross proceeds of $50 million and $20 million, respectively. These transactions are expected to close in the third quarter of 2014. The Company intends on using the net proceeds from these transactions to reduce certain debt obligations and to reinvest in its core businesses.

Resolution of Perceived Conflict of Interest Matter

In light of determinations by the Ontario Ministry of Health and Long-Term Care ("MOHLTC") surrounding a perceived conflict of interest between the Company's home care and seniors wellness businesses and its retail and home medical equipment operations, the Company completed the sales of its home care and seniors wellness businesses in the second quarter of 2014, both of which are largely funded by the MOHLTC.

The perceived conflict of interest was a result of Centric Health employing and contracting physiotherapists for the Operations who are Registered Authorizers under the MOHLTC's Assisted Device Program ("ADP"), which provides patients with funding for mobility equipment, while at the same time seeking reimbursement from ADP for referrals of retail and home medical equipment product sales from these authorizers. While the Company engaged extensively with the MOHLTC to address the matter of a perceived conflict, management believed it to be in the best interests of its customers, the affected physiotherapists and the operations generally that the Company take decisive action to resolve the matter expeditiously prior to the MOHLTC deadline of May 12, 2014.

Related Party Transaction

On May 28, 2014, Global Healthcare Investments and Solutions, Inc. ("GHIS") exercised 18,650,000 common share purchase warrants at a strike price of $0.33 per common share, which was 22% over the last five day weighted average market price of the Company's common shares on the exercise date. The gross consideration of $6.2 million payable to the Company on the exercise was reduced by $4.2 million to settle amounts previously due and payable to GHIS.

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

Business Overview

Centric Health is Canada's largest and most comprehensive national provider of healthcare services focused on producing leading patient outcomes. With more than 2,800 dedicated healthcare professionals, consultants and support staff serving patients and clients through an extensive platform of 600 locations across the country, Centric Health believes it is uniquely positioned to meet growing healthcare needs in key markets. The Company's vision is to become Canada's most respected brand in the independent health care sector and world renowned for quality, innovation and delivering sustainable value to patients, clients and stakeholders.

As Canadian healthcare systems struggle to manage the challenges of spiraling costs, longer wait times and an aging population with multiple chronic conditions, new approaches and relevant innovation are needed to identify cost effective solutions that are in the best interest of patients and physicians. Centric Health is poised to meet rising demand for the delivery of delisted and preventative health care services, capturing emerging opportunities through its innovative business model and asset mix and partnering on alternative funding or sponsorship models.

Patient and payer attitudes towards independent sector care provision are also changing. This is demonstrated by an increased willingness to adopt co-payment models and a greater emphasis on outcomes-based measures as payers move to correct perverse incentives that reward volume and short-term patient outcomes. Centric Health's key performance indicators for measuring and reporting quality, safety and patient satisfaction serve as a distinct competitive differentiator in this area.

The Company's long-term strategy focuses on organically growing core high-margin business units with strong profitability and targeting select expansion opportunities to further its national reach in the areas of physiotherapy, rehabilitation and assessments, specialty pharmacy services and surgical and medical centres. The Company has already launched several innovative, market-leading programs to drive organic growth in select locations by addressing unmet patient needs through existing capacity and infrastructure. Compelling opportunities also exist in the area of employer healthcare management and wellness as employers continue to experience double digit increases in the cost of premiums. Centric is establishing a cross-divisional team dedicated to growing this market, capturing synergies and coordinating marketing and sales efforts across multiple entry points.

Business Model Transformation

To maximize the future growth potential of Centric Health's national platform, senior management conducted an in-depth analysis of the Company`s business portfolio in late 2013, weighing the overall strategic importance of each business unit and its potential value in the near and long term. The team applied a methodical process, critically assessing each division`s individual markets, demand trends, risk profiles, the reliability of their payors, and sensitivity to regulatory changes.

Based on the results of this analysis, management redefined the strategy and realigned the business to focus on aggressively pursuing its most compelling high-margin opportunities within the core business units. Significant progress against this focused consolidation strategy has been made to date and steps have been taken to identify further cost reduction opportunities and efficiencies, reduce debt, reduce working capital needs, reduce regulatory risk and rationalize the business portfolio through the divestiture of non-core assets.

Business Strategy

Strategic Focus on Core Strengths and Capabilities

The diagram below illustrates Centric Health's refined business strategy which focuses on the Company's core competencies of healthcare service delivery and quality outcomes. This is comprised of:

- *3 core focus areas:* Defined focus on 3 main business units with high margins, strong cash flows, low working capital expenditure and less reliance on government funding.
  - *Employer Healthcare Management and Wellness* - Dedicated business development team and coordinated marketing efforts combine core business strengths to support clients at the enterprise level.

- *3 key enablers:* Emphasis on strengthening competitive differentiators and market-leading capabilities to enhance value and support leading patient outcomes.

Overview of Core Businesses & Growth Initiatives

Segment	Description	Locations	Key Growth Initiatives
Physiotherapy, Rehabilitation & Assessments	Clinical services provided through experienced and trained staff offering physiotherapy, occupational therapy, massage therapy, occupational rehabilitation services and other specialized services Assessment of patients who have suffered motor vehicle and workplace injuries by providing independent evaluation to insurers, workers compensation boards and employers across Canada State-of-the-art custom and off-the-shelf orthotics, custom bracing and laser and shockwave therapy	Network of 104 owned and 52 affiliated rehabilitation clinics that operates in 7 provinces and treats over 150,000 patients annually 5 assessment centres in 3 provinces which performs over 55,000 assessments per year Over 50 orthotic clinics, primarily in Ontario	Commitment to R&D and innovation Specialized programs include: - Cancer rehabilitation - Concussion management - Pelvic health - Sports rehabilitation - Vestibular therapy
Specialty Pharmacy	Dispensing and auxiliary products and services for retirement home and long-term care residents Dispensing services in Ontario for employees insured by corporate health plans	Servicing over 20,000 beds and over 700,000 scripts per month	Residential Pharmacy - home delivery service pilot underway Plans to open co-location pharmacies within selected existing facilities Continence care program expansion
Surgical & Medical Centres	Variety of services including 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, otolaryngology and a sleep clinic. Customers include Workers Compensation Boards, regional health authorities, non-residents, private patients and various governmental agencies.	Seven facilities across Canada housing 24 operating rooms in four provinces: - Don Mills Surgical Unit in Toronto, Ontario - Windsor Endoscopy in Windsor, Ontario - London Scoping Centre in London, Ontario - Surgical Weight Loss Centres in Mississauga, Ontario - False Creek Health Centre in Vancouver, BC - Canadian Surgical Solutions in Calgary, Alberta - Maples Surgical Centre in Winnipeg, Manitoba	Bariatrics Medical tourism (inter-provincial and foreign patients) Partnerships with health systems and health authorities

Pursuit of Four Strategic Priorities

To effect the Company's refined strategy, management has identified the following four priorities:

1. *Focus on core strengths* - Optimize capacity and organic growth in the three core businesses described above and leverage synergies with enterprise customers, referral sources and partners through dedicated cross-divisional sales and marketing team.

2. *Strengthen the balance sheet* - Continue to action debt reduction strategy, reduce corporate spending, reduce working capital and minimize risk exposure through the sale of non-core assets.

3. *Position the Company for future growth* - Further streamline support functions and drive collaboration, synergies and efficiencies. Selectively target high-quality assets with strong talent, intellectual property and client relationships that complement the existing portfolio mix and expand capacity in key regions and markets.

4. *Win on quality, innovation and client service* - Enhance quality reporting metrics that demonstrate value to clients with an emphasis on best patient outcomes. Increase key client account support capabilities and earn preferred provider status through exceptional patient and client service and innovative solutions.

Strategic Divestiture of Non-Core Businesses

Centric's strategy is to redeploy the proceeds from the divestiture of its retail and home medical equipment and methadone pharmacy non-core operations in the second quarter of 2014 into select expansion initiatives, including accretive acquisitions, within its core businesses and to use a portion of these proceeds to further strengthen the balance sheet through debt repayment. Centric Health purchased the retail and home medical equipment operations as part of the acquisition of LifeMark in June 2011, the acquisition of Motion Specialties in February 2012 and strategic fit acquisitions of retail locations to expand its footprint. Centric Health purchased the methadone pharmacy assets for $9.7 million from receivership in August 2011.

Use of Net Proceeds from Divestitures

Under the April 2013 trust indenture for the second lien senior secured notes, net proceeds from divestitures can be redeployed in the following ways:

- Permitted business acquisitions;
- Capital expenditures;
- Acquisitions of non-current assets;
- Repayment of senior debt that is a permanent reduction of such debt;
- Repayment of secured debt (subject to early redemption at the Company's option); and
- Redemption of up to $35 million of preferred partnership units, provided the ratio of total secured debt to cash flow is less than four-times.

The trust indenture for the second lien senior secured notes also requires the Company maintain a minimum of $25 million Revolving Facility for working capital purposes.

In addition, after the 365 days following the receipt of proceeds from business divestitures, if the aggregate proceeds not yet redeployed exceed $10 million, the second lien senior secured note trust indenture provides that such funds be used to redeem the second lien senior secured notes from all holders at par plus accrued and unpaid interest.

The Company plans to redeploy the net proceeds from the divestiture of non-core businesses announced in the second quarter of 2014 towards both debt repayment and growth opportunities, including accretive acquisitions.

Debt Reduction

Management is committed to strengthening the Company's balance sheet and reducing the Company's overall debt level. Management has established a target for total debt to adjusted EBITDA of less than four-times over the medium term.

In early 2013, the Company implemented the first phase of its debt reduction plan which included:

- Closed an offering of $200 million second lien senior secured notes which allowed the Company to repay its Term Loan, amend its Revolving Facility and repay $22.5 million of preferred partnership units;
- Repaid an additional $7.5 million of preferred partnership units;
- Revised the consulting agreement with GHIS to realize $2.5 million in cash flow and Adjusted EBITDA savings over the remaining term of the agreement; and
- Refinanced a $5 million related party convertible loan by extending the maturity to April 2018.

These steps have provided Centric Health with greater financial flexibility in the short term as it moves forward with its refocused growth strategy and begins to incrementally realize the contributions of our organic growth initiatives and capital redeployment opportunities.

Moving forward, management intends to demonstrate its continued commitment by implementing the second phase of its plan by applying a minimum of $25 million of net proceeds from the pending divestitures of non-core businesses towards debt repayment. Debt repayment may only be undertaken within the parameters of the trust indenture for the Company's second lien senior secured notes as described above.

As soon as reasonably practicable following the close of both the retail and home medical equipment and the methadone pharmacy transactions, the Company intends to repay $10 million of its Revolving Facility, which will permanently reduce capacity of the Facility to $40 million. As soon as reasonably practicable following the respective working capital adjustment processes related to the transactions (expected to be within 90 days of the latter closing), the Company intends to apply an additional $15 million to debt reduction through some combination of additional permanent reduction of the Revolving Facility, redemption of second lien senior secured notes (of which up to $10 million can be redeemed at the prevailing market price without accrued interest) and redemption of the preferred partnership units. The Company will continue to evaluate options for the potential use of some additional net proceeds from the pending divestiture of the non-core businesses announced in the second quarter of 2014.

Centric Health expects to generate additional EBITDA and free cash flow from operations through both organic and acquisitive growth, as well as additional corporate cost savings and working capital improvements. The Company will continue to evaluate additional opportunities to strengthen its balance sheet and will pursue such opportunities within the context of strategic rationale and favorable market conditions. Such opportunities may include refinancing certain debt arrangements to achieve more favourable terms, an equity offering that could be used to further reduce debt and early conversion of its convertible debt offerings (all of which can be settled in common shares at the discretion of the Company except the loan with Jamon, which is a related party).

In August 2014, in connection with the pending divestitures of non-core businesses and subject to completion of these divestitures, the Company received a waiver for a financial performance covenant under its Revolving Facility at the September 30, 2014 measurement date and finalized amendments to certain financial performance covenants for the remaining measurement dates up to the maturity of the Revolving Facility in June 2015. In addition, included in the amendments to the Revolving Facility agreement, any future acquisitions greater than $2 million made by the Company will require the approval of the syndicate of lenders.

New Growth Opportunities and Acquisition of Accretive Businesses

The Company expects the remainder of the net proceeds from the divestitures of non-core businesses announced in the second quarter of 2014 that are not applied to debt to be reinvested in growth opportunities, including accretive acquisitions, that will contribute to increased EBITDA and free cash flow from operations. Acquisitions are expected to be consistent with the Company's focus on core business segments and operations that generate high margins and strong cash flow, require low capital expenditures and have low exposure to regulatory or public funding changes.

The Company will seek to complete acquisitions using a structure that maximizes the return on its cash investment and Adjusted EBITDA. To achieve this, the Company may issue common shares and cash that are contingent on the future performance of the underlying business as consideration for such purchases.

The Company intends to only undertake an acquisition or growth initiative following completion of a comprehensive analysis to ensure it is accretive to the Company within a reasonable period. Acquisitions should provide an appropriate return relative to any investments 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.

Business Outlook

With services that address growing demand and unmet needs within the Canadian healthcare system, Centric Health's unparalleled national care delivery platform provides significant potential for future expansion and growth. Following an extensive review of its core competencies, business segment performance and market opportunities, the Company has re-focused its strategy on its core healthcare service businesses in the pursuit of top-line growth, improved profitability and free cash flow generation.

The Company's organic growth initiatives will be focused on those opportunities with low capital investment that leverage the Company's existing resources and capacity. Acquisitions are expected to be accretive and consistent with the Company's focus on its core business segments and on operations that generate high margins and strong cash flow, require low capital expenditures and have low exposure to regulatory or public funding changes.

Physiotherapy, Rehabilitation and Assessments

The Company's Physiotherapy, Rehabilitation and Assessments segment achieved strong growth in the first half of 2014, driven by growth in both the rehabilitation clinic network and the assessments business. The Company anticipates continued growth in the rehabilitation clinic network through organic initiatives such as continued expansion of its preferred provider relationships with employers and other organizations. The Company is also undertaking expanded local marketing initiatives to drive brand awareness and increase the volume of patient visits. Growth in the Company's assessments business is targeted through increased market share from successful RFPs.

Centric Health expanded its clinic network in the second quarter of 2014 through the acquisition of three new clinics. The Company will pursue continued expansion of the national clinic footprint through additional strategic fit acquisitions. Growth through acquisition will only occur if the acquisition will be accretive to income and complementary to the national network. Over the longer term, this segment should benefit from growth in Employer Healthcare Management and Wellness contracts, which should contribute to increased volumes at the Company's rehabilitation clinics.

Specialty Pharmacy

The Company anticipates that continued revenue and Adjusted EBITDA growth from its Specialty Pharmacy segment will continue to grow in the balance of 2014 and beyond. This segment continues to achieve success with its organic growth strategy focused on maximizing the utilization of existing infrastructure by winning new tenders for contracts with long-term care and retirement homes and retail initiatives.

As all of the pharmacies are currently located in Ontario, the Company plans to expand beyond the province, in particular into Western Canada, to develop a national network that would both expand its geographical market and strengthen its value proposition to national long-term care and retirement home providers. The Company is also pursuing organic growth opportunities by establishing co-location pharmacy services within selected existing facilities.

Adjusted EBITDA margins, which have returned to historical levels following the implementation of Electronic Medical Administrative Records ("EMAR") for existing long-term care home contracts, are expected to be stable in coming quarters. However, as Centric wins new contracts, margins may be impacted in the short term as EMAR implementation costs may be absorbed.

Longer term, this segment should benefit from growth in Employer Healthcare Management and Wellness contracts, which should contribute to increased volumes.

Surgical and Medical Centres

Growth in the Company's Surgical and Medical Centres segment is expected to be driven primarily by increasing utilization of the existing network capacity through a multi-faceted strategy that includes the introduction of innovative programs and new technologies, partnerships with local physicians and health authorities, marketing and brand development and promoting medical tourism. Efforts to expand the roster of physicians in order to utilize excess operating room capacity are ongoing at all of the Company's surgical centres.

The financial results of the Surgical and Medical Centres segment improved in the first half of 2014 due to growth in the contribution from bariatric procedures following the 75% acquisition of SmartShape Weight Loss Centres ("SmartShape"), a leader in state-of-the-art bariatric (weight loss) surgical procedures, in the fourth quarter of 2013. The Company expects the number of bariatric procedures to increase based on the roll out of SmartShape's proven business model across each surgical centre location. SmartShape recently added the higher margin gastric sleeve procedure to its offerings at the Don Mills (Toronto) facility (and will do so at other facilities pending regulatory approval), which is expected to further increase volumes.

The Company continues to seek partnerships with some of Canada's leading surgeons for the future launch of additional specialized surgical Centres of Excellence and other initiatives. In addition, inter-provincial and foreign medical tourism presents a significant growth opportunity for the Company.

During the first quarter of 2014, the Company completed a significant renovation to its facility in Calgary, Alberta and is expecting to complete a renovation of its Don Mills facility in the third quarter of 2014.

In the first quarter of 2014, the Company made the decision to close its underperforming facility in Sarnia. The closure is expected to positively contribute to Adjusted EBITDA and cash flow from operations of this segment by the third quarter of 2014.

Employer Healthcare Management and Wellness Initiative

The Company recently established a dedicated cross-divisional support team to pursue opportunities in the high growth employer services market by coordinating business development and account-based marketing efforts across multiple entry points. The Company offers clients customizable program options from a broad continuum of services across its platform, including mandatory workplace injury insurance programs, optional wellness programs and corporate health benefits and prescription plans, generating revenue back to its core segments.

Corporate Infrastructure

Management believes overall profitability can be improved through further optimization of corporate infrastructure. The Company has multiple initiatives underway and expects to undertake additional initiatives intended to reduce corporate costs as a proportion of consolidated revenue through consolidation and centralization of functions, rightsizing, achieving unrealized synergies amongst the operating segments, managing discretionary spend and professional fees and achieving additional tax savings.

Selected Financial Information

The following selected financial information as at and for the three and six month periods ended June 30, 2014 and 2013, has been derived from the unaudited interim consolidated financial statements as at and for the three and six month periods ended June 30, 2014 and 2013, and should be read in conjunction with those financial statements and related notes. The results of acquisitions are added from their respective dates of completion. Non-IFRS measures are defined and reconciled in the Reconciliation of Non-IFRS Measures section.

	For the three month periods ended June 30,			For the six month periods ended June 30,		
	2014	2013 [3]	2012	**2014**	2013 [3]	2012
	$	$	$	**$**	$	$
Revenue	**79,060**	72,663	68,297	**154,204**	139,597	136,084
Loss from continuing operations	**(84)**	(4,735)	(2,876)	**(1,409)**	(8,653)	(5,909)
(Loss) income from continuing operations before interest expense and income taxes	**(2,442)**	(5,114)	42,122	**(3,357)**	1,799	37,839
EBITDA[2] from continuing operations	**3,965**	1,505	47,386	**9,496**	15,062	48,426
Adjusted EBITDA[2] from continuing operations	**7,458**	6,778	5,356	**14,002**	11,554	11,109
Per share - Basic	**$0.05**	$0.05	$0.05	**$0.10**	$0.09	$0.10
Per share - Diluted	**$0.04**	$0.04	$0.04	**$0.07**	$0.06	$0.08
Adjusted EBITDA Margin from continuing operations	**9.4%**	9.3%	7.8%	**9.1%**	8.3%	8.2%
Adjusted EBITDA[2]	**8,234**	11,027	12,454	**14,949**	18,856	24,233
Per share - Basic	**$0.06**	$0.09	$0.11	**$0.11**	$0.15	$0.22
Per share - Diluted	**$0.04**	$0.06	$0.10	**$0.08**	$0.10	$0.18
Adjusted EBITDA Margin	**7.2%**	9.0%	10.9%	**6.7%**	8.0%	11.1%
Net (loss) income	**(21,952)**	(13,968)	42,366	**(49,911)**	(11,003)	37,715
Per share - Basic	**($0.15)**	($0.11)	$0.38	**($0.37)**	($0.09)	$0.35
Per share - Diluted	**($0.15)**	($0.11)	$0.34	**($0.37)**	($0.09)	$0.29
Cash flow from operations	**8,610**	6,461	8,003	**12,442**	6,661	(2,900)
Total assets from continuing operations	**278,455**	299,859	322,440	**278,455**	299,859	322,440
Total non-current liabilities from continuing operations	**285,776**	313,608	285,501	**285,776**	313,608	285,501

[2] Defined in Reconciliation of Non-IFRS Measures

[3] As part of the year end financial statement close process for the year ended December 31, 2013, the Company's Motion Specialties operations performed an inventory count and valuation. Upon the completion of the inventory count and inventory valuation, adjustments of $2,185 ($1,606 net of income taxes) and $4,100 ($3,014 net of income taxes) were recorded for the three and six month periods ended June 30, 2013 which reduced inventory and increased cost of healthcare services and supplies.

Results of Consolidated Operations for the three and six month periods ended June 30, 2014 and 2013

Revenues

The Company's revenue for the three month period ended June 30, 2014 increased by $6,397 to $79,060 as compared to the prior year. This increase was primarily due to organic growth of $5,498 or 7.6% across all operating segments and the purchase of SmartShape and other start-up initiatives which contributed incremental revenue of $1,804. Partially offsetting this increase was an impact of $675 from one less business day in the second quarter of 2014 as compared to the second quarter of 2013.

The Company's revenue for the six month period ended June 30, 2014 increased by $14,607 to $154,204 as compared to the first half of 2013. This increase was primarily due to organic growth of $11,683 or 8.4% across all operating segments and the purchase of SmartShape and other start-up initiatives which contributed incremental revenue of $3,729.

Expenses

Cost of healthcare services and supplies includes practitioner consultant fees associated with the rehabilitation, assessment and surgical services, the cost of medical and physiotherapy supplies in these businesses and the cost of pharmaceuticals sold. Cost of healthcare services and supplies for the three and six month periods ended June 30, 2014 were $47,266 and $92,520 as compared to $44,334 and $85,297 in the prior year, respectively. Cost of healthcare services and supplies remained relatively consistent as a percentage of revenue over the comparative periods at 59.8% and 61.0% for the three month periods ended June 30, 2014 and 2013, respectively and 60.0% and 61.1%, for the six month periods ended June 30, 2014 and 2013, respectively.

Employee costs include salaries and benefits of employees working directly in each business segment. For the three month period ended June 30, 2014, employee costs were $9,720 or 12.3% of revenue which was comparable to the prior year employee costs of $8,620 or 11.9% of revenue. For the six month periods ended June 30, 2014 and 2013, employee costs were $18,971 and $16,523 respectively, which was comparable at 11.8% of revenue in the prior year versus 12.3% in the current year.

Other operating expenses include occupancy costs, insurance, communication, advertising and promotion and administrative expenses incurred at the operational level. Other operating expenses for the three and six month periods ended June 30, 2014 were $10,569 and $20,648 as compared to $8,957 and $18,387 for the comparable periods in the prior year. Other operating expenses have remained relatively consistent at approximately 13% of revenue over these periods.

Corporate office expenses include salaries and benefits, occupancy costs, insurance, communication, advertising and promotion and other costs of the corporate office. Corporate office expenses were $4,131 and $8,166 for the three and six month periods ended June 30, 2014 as compared to $3,927 and $7,776 for the three and six month periods ended June 30, 2013. The Company's corporate office expenses have increased as part of the strengthening of the Company's leadership team. The Company added the Chief Information Officer and Chief Operating Officer positions in the second quarter of 2013 and internal legal counsel and internal communications in the first quarter of 2014. In addition, the Company incurred advisory fees of $225 and $450 from GHIS, a related party, in the first quarter and first half of 2014, respectively. However, approximately $175 of these advisory fees have been included in transaction and restructuring costs for the three and six month periods ended June 30, 2014 for advisory services performed in relation to the Company's dispositions completed or announced in the second quarter of 2014. Advisory fees from GHIS had been waived in 2013. These increases are partially offset by cost savings from a reorganization of the finance department in the second half of 2013. As a percentage of total revenue from continuing and discontinued operations, corporate office expenses for the six month period ended June 30, 2014 was 3.6%. Upon successful completion of its divestiture of non-core businesses, the Company will implement cost savings measures including rationalization of resources that supported non-core businesses and reductions in discretionary spending.

Depreciation and amortization decreased by $343 and $573 to $6,323 and $12,750 for the three and six month periods ended June 30, 2014 as compared to the same periods in the prior year. These decreases are mainly due to a decrease in the amortization of intangible assets from the full amortization of certain non-compete arrangements.

Stock-based compensation expense, a non-cash expense, decreased by $2,988 and $4,312 for the three and six month periods ended June 30, 2014 versus the comparable periods in the prior year. The decrease over the prior year for the three month comparable periods is mainly due to the compensation expense incurred in the second quarter of 2013 as a result of the issuance of common shares to GHIS, a related party, as part of an amended consulting agreement. In addition to the above, the decrease over the prior

year for the six month periods is also a result of the compensation expense incurred in the first quarter of 2013 from the release of escrowed shares to the vendor of Performance Medical Group as part of employment arrangements.

Transaction and restructuring costs were $646 and $1,646 for the three and six month periods ended June 30, 2014 as compared to $1,419 and $1,722 for the same periods in the prior year. Transaction and restructuring costs are lower in 2014 as compared to 2013 as a result of reduced advisory and severance related costs associated with the restructuring of certain core businesses and centralized functions in the prior year.

Loss from operations for the three month period ended June 30, 2014 was $84 or 0.1% of revenues. Adjusted EBITDA from continuing operations for the three month period ended June 30, 2014 was $7,458 as compared to $6,778 for the same period in the prior year and the Adjusted EBITDA margin remained consistent at 9.4% and 9.3% between the two periods. The increase in Adjusted EBITDA is reflective of the organic revenue growth realized in core businesses between these periods.

For the six month period ended June 30, 2014, loss from operations was $1,409 or 0.9% of revenues. Adjusted EBITDA from continuing operations improved to $14,002 for the six month period ended June 30, 2014 from $11,554 for the same period in the prior year. The Adjusted EBITDA margin also improved to 9.1% from 8.3% over the same period due to effective cost management initiatives.

Interest expense for the three and six month periods ended June 30, 2014 were $8,169 and $16,440 as compared to $12,568 and $19,486 for the comparable periods in the prior year. 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 and renegotiated in November 2013, the capital leases assumed in acquisitions and the convertible debentures issued in December 2011, February 2012, May 2012 and September 2012. Interest expense excluding amortization and accretion expenses for the three and six month periods ended June 30, 2014 was $6,737 and $13,549 as compared to $6,570 and $12,070 in the prior year. The interest expense excluding amortization and accretion expenses is relatively consistent over the comparative second quarters as the Company's borrowing bases were also consistent between these two periods. The main reason for the increase over the prior year for the comparable six month periods is the Company having a higher borrowing rate on its second lien senior secured notes as compared to the Company's old Term Loan which was in place in the first quarter of 2013.

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2014 $	2013 $	**2014 $**	2013 $
Interest on long-term loan, revolving facilities and second lien senior secured notes	**4,913**	4,357	**9,747**	7,138
Amortization of loan arrangement fees	**287**	5,184	**592**	5,682
Interest on related party amounts	**158**	162	**315**	323
Accretion of related party loan discounts	**82**	115	**184**	224
Interest on capital leases	**11**	19	**28**	31
Amortization of deferred gain on interest rate swap	**(5)**	(143)	**(10)**	(163)
Interest on convertible debt	**832**	801	**1,654**	1,592
Accretion on convertible debt	**1,043**	842	**2,100**	1,673
Accretion on preferred partnership units	**25**	—	**25**	—
Interest expense before distributions for preferred partnership units	**7,346**	11,337	**14,635**	16,500
Distributions for preferred partnership units	**1,003**	1,238	**1,992**	2,993
Total interest expense	**8,349**	12,575	**16,627**	19,493
Interest income	**(180)**	(7)	**(187)**	(7)
Net interest expense	**8,169**	12,568	**16,440**	19,486

The **change in fair value of derivative financial instruments** of $1,694 and $1,301 for the three and six month periods ended June 30, 2014 relates to the change in fair value of interest rate swaps during the period for which the Company has not formally designated as a hedging transaction, the change in fair value of the derivative liability component of certain debt offerings and the

change in fair value of redemption features included in certain of the Company's debt arrangements. The fluctuation of these balances are reflective of various factors including changes in the Company's share price, interest rates and credit spreads.

For the three and six month periods ended June 30, 2014, the Company recognized losses on the **fair value of contingent consideration liabilities** of $664 and $647 as compared to gains of $48 and $6,993 for the comparative periods in the prior year. 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.

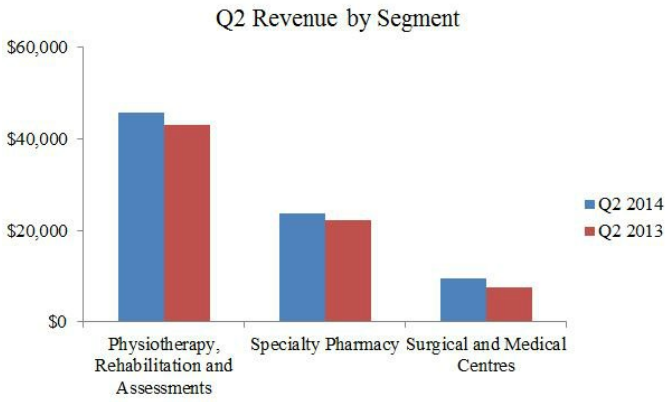
The largest component of the change in fair value of contingent consideration over the comparative six month periods was a result of the Company reduced the probability with achieving stated performance targets from a 90% probability to a 50% probability for the second and third years of the earnout period during the three month period ended March 31, 2013. The Company had recorded a gain of $6,163 for the change in fair value of Motion Specialties contingent consideration for the three month period ended March 31, 2013 mainly due to the reduction in probabilities. The Company further reduced the probability for the second year and third year earn-out to 0% during the three month period ended December 31, 2013. 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 targets.

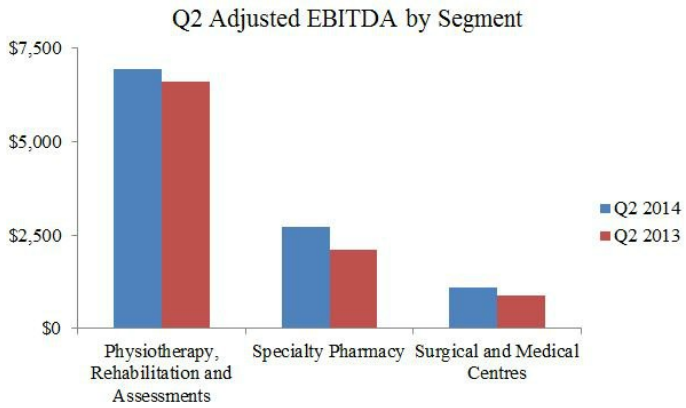
The **income tax expense** was $2,273 and $1,850 for the three and six month periods ended June 30, 2014 as compared to recoveries of $2,931 and $5,014 for the same periods in the prior year. The shift from recoveries in the prior year to expenses in the current year is due to the accumulation of tax loss carryforwards within certain legal entities in the prior year. As at June 30, 2014 , the Company had $80,718 of gross tax loss carryforwards, which will expire between 2014 and 2034. 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 $16,768 which the Company has not recorded at June 30, 2014 in respect of $63,277 of non-capital losses carried forward.

Results of Segmented Operations

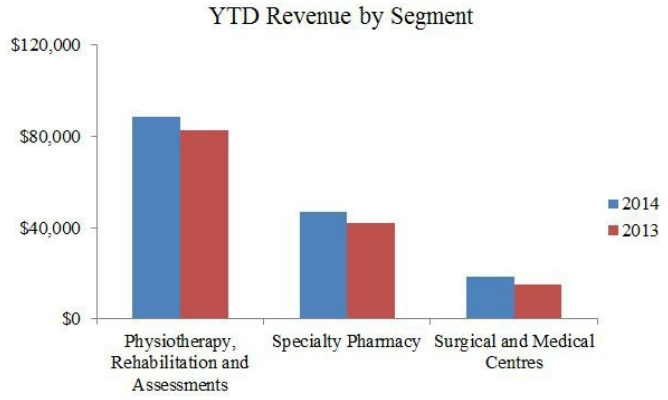
This section presents the results of operations for the three and six month periods ended June 30, 2014 and 2013 for the various operating segments of the Company. As a result of the strategic initiative to define the Company's long term operating model and the Company's decision to divest substantially all of its retail and home medical equipment operations, the Company's Chief Operating Decision Maker ("CODM") has amended the manner in which the business is operated and accordingly how financial information is presented to the CODM. As a result, the Company has amended its reportable operating segments and will now present three reportable operating segments rather than five reportable operating segments as was previously presented. Operating segments, as reported to the CODM are as follows: Physiotherapy, Rehabilitation and Assessments, Specialty Pharmacy, and Surgical and Medical Centres. The assessment operations which were separately reported in the past are now reported as part of the renamed Physiotherapy, Rehabilitation and Assessments segment. This segment was previously named the Physiotherapy segment. As a result of the divestiture of the majority of its retail and home medical equipment segment, the remaining component of this segment will now be reported as part of the Physiotherapy, Rehabilitation and Assessments segment. Comparative balances have been amended to reflect the presentation of three reportable operating segments. The support services provided through the corporate offices largely support the operations of the Company and certain of these costs have been allocated to the operating segments based on the extent of corporate management's involvement in the reportable segment during the period.

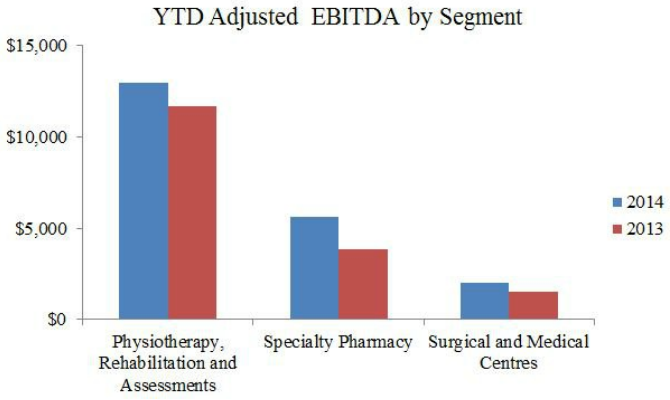
For the three month periods ended June 30,	**Revenue**		**Adjusted EBITDA from continuing operations**			
	2014 $	2013 $	**2014 $**	**%**	2013[3] $	%
Physiotherapy, Rehabilitation and Assessments	**45,734**	42,957	**6,938**	**15.2**	6,601	15.4
Specialty Pharmacy	**23,792**	22,164	**2,729**	**11.5**	2,096	9.5
Surgical and Medical Centres	**9,534**	7,542	**1,105**	**11.6**	863	11.4
Corporate	**—**	—	**(3,314)**	**—**	(2,782)	—
Total	**79,060**	72,663	**7,458**	**9.4**	6,778	9.3





For the six month periods ended June 30,	Revenue		Adjusted EBITDA from continuing operations			
	2014 $	2013 $	**2014 $**	**%**	2013 [3] $	%
Physiotherapy, Rehabilitation and Assessments	**88,804**	82,737	**12,946**	**14.6**	11,681	14.1
Specialty Pharmacy	**47,019**	41,919	**5,619**	**12.0**	3,827	9.1
Surgical and Medical Centres	**18,381**	14,941	**2,007**	**10.9**	1,484	9.9
Corporate	**—**	—	**(6,570)**	**—**	(5,438)	—
Total	**154,204**	139,597	**14,002**	**9.1**	11,554	8.3





Physiotherapy, Rehabilitation and Assessments

Revenue for the Physiotherapy, Rehabilitation and Assessments segment increased to $45,734 from $42,957 for the three month period ended June 30, 2014 as compared to three month period ended June 30, 2013. Adjusted EBITDA increased to $6,938 from $6,601 over the same periods. These increases are mainly a result of organic growth, partially offset by one less business day between the comparative periods. Additionally, Adjusted EBITDA in the prior year was higher due to a bad debt recovery in the assessment operations in the second quarter of 2013.

For the six month period ended June 30, 2014, Revenue and Adjusted EBITDA were $88,804 and $12,946, respectively as compared to $82,737 and $11,681 for the same periods in the prior year. The growth in revenue between the comparative periods is mainly due to organic growth within the core business. This also contributed to the increase in Adjusted EBITDA between the first half of 2013 and 2014 partially offset by expected inflationary increases in salary and occupancy costs.

Specialty Pharmacy

Revenues for Specialty Pharmacy increased to $23,792 from $22,164 for three month period ended June 30, 2014 as compared to the same period in the prior year. Adjusted EBITDA increased to $2,729 from $2,096 and the Adjusted EBITDA margin improved to 11.5% from 9.5% over these same periods. The growth in revenue is mainly due to organic growth through the expansion of script count and the number of beds serviced in addition to the offering of ancillary services to existing customers. The improvement in Adjusted EBITDA is also attributed to organic growth partially offset by additional leasehold costs from the opening of a new dispensing facility in the first quarter of 2014.

For the six month period ended June 30, 2014, revenue increased to $47,019 from $41,919 for the comparative period in the prior year. Over the same comparative periods, Adjusted EBITDA and Adjusted EBITDA margins improved to $5,619 and 12.0% from $3,827 and 9.1%, respectively. The growth in revenue and Adjusted EBITDA is mainly due to increased script counts and the number of beds serviced in addition to the offering of ancillary services to existing customers. Growth in Adjusted EBITDA is also a result of incremental personnel costs in the first half of 2013 associated with the implementation of EMAR for certain long-term care home contracts, which has been completed for most existing customers. This is partially offset by additional leasehold costs from the opening of a new dispensing facility in the first quarter of 2014.

Surgical and Medical Centres

The Surgical and Medical Centre segment grew its revenue and Adjusted EBITDA for the three month period ended June 30, 2014 to $9,534 and $1,105 from $7,542 and $863, respectively, for the same period in the prior year. The main driver for this growth in revenue and Adjusted EBITDA is the Company's acquisition of SmartShape in December 2013.

For the six month period ended June 30, 2014, revenue increased to $18,381 from $14,941 for the same period in the prior year and Adjusted EBITDA increased to $2,007 from $1,484 between these same periods. These increases over the prior year can mainly be attributed to the Company's acquisition of SmartShape which has been accretive to the Company's revenue and Adjusted EBITDA.

Discontinued Operations

For the three and six month periods ended June 30, 2014 and 2013, the Company's discontinued operations consist of the retail and home medical equipment operations, methadone pharmacy operations, seniors wellness operations, homecare business and the Sarnia, Ontario surgical centre operations. Revenue continues to be earned from the retail and home medical equipment and methadone pharmacy operations as these transactions, while announced in the second quarter of 2014, are not expected to close until the third quarter of 2014. Revenues are no longer earned from the seniors wellness and homecare businesses as these transactions closed on May 8, 2014. Additionally, the Company no longer earns revenue from its surgical operations in Sarnia, Ontario as this location closed in June 2014.

Revenue and Adjusted EBITDA from discontinued operations decreased to $34,546 and $776 from $49,521 and $4,249 between the comparative three month periods ended June 30, 2014 and 2013 mainly due to the change in funding for seniors services in Ontario enacted in August 2013 which impacted the Company's seniors wellness business. Additionally, the decreases were a result of the timing of dispositions as the results of the seniors wellness and homecare businesses were only included up to May 8, 2014 in the current year, however for the full quarter in the prior year.

Revenue and Adjusted EBITDA from discontinued operations for the six month periods ended June 30, 2014 and 2013 decreased to $69,728 and $947 from $95,868 and $7,302, respectively. These decreases are mainly a result of change in funding for seniors services in Ontario enacted in August 2013 which impacted the Company's seniors wellness operations. In addition, there was an impact from a perceived conflict of interest matter that impacted the Company's retail and home medical equipment operations in the first half of 2014. Also, the timing of the dispositions contributed to this decrease as the results of the seniors wellness and homecare businesses were only included up to May 8, 2014 in the current year, but for the full first half of 2013 in the prior year.

Liquidity and Capital Resources

The Company's main working capital requirement relates to the financing of inventories and accounts receivable primarily from the Ontario MOHLTC, other government agencies, employers and insurance companies. These receivables from continuing operations totaled $33,631 at June 30, 2014. 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 June 23, 2014 the Company announced it had entered into a definitive agreement to sell substantially all of its retail and home medical equipment operations for gross proceeds of $50,000. On June 24, 2014, the Company announced it had entered into a definitive agreement to sell its methadone pharmacy operations for gross proceeds of $20,000. The Company expects these transactions to close in the third quarter of 2014. Upon the closing of these transactions and the settlement of working capital adjustments and transaction costs, the Company expects to utilize a portion of the proceeds from these transactions in order to partially repay certain debt obligations. The repayment of these debt obligations will be within the terms which are permissible under the Company's Revolving Facility agreement and the trust indenture on the second lien senior secured notes. The Company also intends to use a portion of these proceeds on organic and acquisition growth initiatives within its core operations.

The April 2013 trust indenture outlines how the net proceeds of divestitures can be deployed. The trust indenture for the second lien senior secured notes also requires the Company to maintain a minimum of $25 million capacity on its Revolving Facility or equivalent cash reserves. In addition, after the 365 days following the receipt of proceeds from business divestitures, if the aggregate proceeds not yet redeployed exceeds $10 million, the second lien senior secured note trust indenture provides that such funds be used to redeem the second lien senior secured notes from all holders at par plus accrued and unpaid interest.

The Company intends to use a minimum of $25 million of net process from the divestitures towards debt repayment. Debt repayment will be undertaken within the parameters of the trust indenture for the Company’s second lien senior secured notes as described above. As soon as is reasonably practicable following the closing of the sales, the Company intends to repay $10 million of its Revolving Facility, which will permanently reduce the capacity of the Revolving Facility to $40 million. As soon as is reasonably practicable following working capital adjustment processes related to the transactions (expected to be within 90 days of the latter closing), the Company intends to apply an additional $15 million to debt reduction through some combination of additional permanent reduction of the Revolving Facility, redemption of second lien senior secured notes and redemption of the preferred partnership units.

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. In addition, the Company's Revolving Facility, with a limit of $50,000, includes financial performance covenants through to its maturity in June 2015. On March 27, 2014, the Company and its senior lenders made amendments to the Revolving Facility for financial performance covenants for 2014 and beyond. The amendments resulted from the funding reductions in Ontario from the Ministry of Health and Long Term Care for seniors physiotherapy services and a perceived conflict of interest matter which impacted the profitability of its retail and home medical equipment and seniors wellness operations. The Company was in compliance with its financial performance covenants at June 30, 2014. However, as a result of the divestitures announced in the second quarter of 2014, the Company expects to not be in compliance with a financial performance covenant as at September 30, 2014. Accordingly, on August 5, 2014, subject to completion of the divestitures, the Company received a waiver for a financial performance covenant at the September 30, 2014 measurement date and amendments to certain financial performance covenants for the remaining measurement dates up to the maturity of the Revolving Facility in June 2015.

The Company's 2014 budget from continuing operations reflects an improvement over the Company's 2013 results through organic growth, operational improvements and cost containment initiatives. Based on its 2014 operating budget and cash flow management initiatives, 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 maturity of the Revolving Facility, except for the financial performance covenant for which a waiver was obtained for the September 30, 2014 measurement date. 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.

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.

Cash Flow

Cash flow activities for the three and six month periods ended June 30, 2014 were as follows:

Operating Activities

For the three and six month periods ended June 30, 2014, cash provided by operating activities was $8,610 and $12,442 compared to $6,461 and $6,661 for the three and six month periods ended June 30, 2013. The Company has generated positive cash flows from operating activities for nine consecutive quarters as the Company has focused on cash management initiatives. In addition, included in operating activities are transaction and restructuring costs incurred of $646 and $1,646 for the three and six month periods ended June 30, 2014. Cash provided by operating activities, exclusive of transaction and restructuring costs, was $9,256 and $14,088 for the three and six month periods ended June 30, 2014.

Investing Activities

For the three and six month periods ended June 30, 2014, the Company used $3,405 and $5,473 for investing activities as compared to $2,316 and $5,298 for the three and six month periods ended June 30, 2013. The Company's capital expenditures have decreased between the six month periods ended June 30, 2014 and 2013 to $3,777 from $4,498 as in the prior year there was additional spending for the development of an IT platform for the retail and home medical equipment operations. In the second quarter of 2014, the Company also included $1,436 of cash as part of the sales of the CAR and Seniors Wellness operations so that these businesses had a sufficient float to operate subsequent to the sale.

Financing Activities

During the three and six month periods ended June 30, 2014, the Company borrowed an additional $2,800 and $6,800 from its Revolving Facility. The Company paid $11,826 and $13,539 in cash interest on its borrowings for the three and six month periods ended June 30, 2014 as compared to $ 4,963 and $9,580 for the three and six month periods ended June 30, 2013. These decreases were a result of the timing of the Company's interest payments. In the first quarter of 2013, the Company paid interest on its old Term Loan on a monthly basis, whereas interest on the second lien senior secured notes, which replaced the Term Loan in April 2013, is paid twice annually in the second and fourth quarters. In addition, the Company made a principal repayment on the old Term Loan of $188,253 in the second quarter of 2013, whereas the second lien senior secured notes do not require any principal repayments.

Contractual Commitments[4]

The Company's contractual commitments at June 30, 2014, are as follows:

	Total ($)	1 year ($)	2-3 years ($)	4-5 years ($)	Thereafter ($)
Second lien senior secured notes	200,000	—	—	200,000	—
Revolving Facility	29,800	29,800	—	—	—
Operating leases[6]	47,091	8,725	16,001	11,008	11,357
Interest payments on borrowings	86,262	17,254	34,508	34,500	—
Finance leases[6]	159	84	75	—	—
	363,312	55,863	50,584	245,508	11,357
Preferred partnership units[5]	39,933	—	39,933	—	—
	403,245	55,863	90,517	245,508	11,357

[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 the preferred partnership units over the period to June 9, 2017. 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 as presented. The preferred partnership units have a legal obligation to be repaid in 2084.

[6] Balances represent the contractual commitments from continuing operations.

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 Company has a contractual obligation to pay Alaris Income Growth Fund ("Alaris") annual distributions on preferred partnership units. The principal balance grows at 4% annually from the third anniversary of June 9, 2014. The Company is not required to redeem the preferred partnership units until 2084. Alaris is entitled to annual distributions of $3,957 for the annual period commencing July 1, 2014 with annual increases of 4% at the end of each year thereafter. The Company intends on repaying the preferred partnership units by June 9, 2017 and has presented this amount as a long-term liability. The Company is accreting to interest expense the amount expected to be payable on June 9, 2017 of $39,933.

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 $53,308 in convertible debt from public and private offerings which principal and interest the Company can elect to settle in common shares of the Company.

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

Equity

As at June 30, 2014, the Company had total shares outstanding of 171,006,008. The outstanding shares include 17,932,470 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 and restricted shares are not reflected in the shares reported on the Company's financial statements. Accordingly, for financial reporting purposes, the Company reported 153,073,538 common shares outstanding as at June 30, 2014 and 133,363,294 shares outstanding at December 31, 2013.

The Company has convertible borrowings outstanding at June 30, 2014 where the conversion is at the option of the Company as follows:

Debt instrument	Principal ($)	Number of Common Shares Issuable	Maturity	Interest Rate
Directed share program	10,808	3,464,103	December 22, 2016	6.00%
Private placement	15,000	16,129,032	April 30, 2016	5.50%
Public debt	27,500	24,553,571	October 31, 2017	6.75%
	53,308	**44,146,706**		

On January 1, 2014, the Company released 200,000 restricted shares to the Company's CEO.

On May 16, 2014, the Company canceled 1,500,000 escrowed shares associated with the acquisition of Performance Medical Group as certain earn-outs targets as specified in the share purchase agreement for this transaction were not achieved.

On May 28, 2014, GHIS exercised 18,650,000 common share purchase warrants at a strike price of $0.33 per common share. Of the gross consideration of $6,155, a reduction of $4,200 was made to settle the completion fees of $1,400 from the LifeMark acquisition and the financing fee of $2,800 related to specific 2011 financing activities previously due and payable to GHIS.

On June 25, 2014, the Company issued 1,436,513 restricted share units to management and employees which entitles the holders to 1,436,513 common shares of the Company. Of the restricted share units issued, 125,000 vest immediately, the remainder vest evenly over three years. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.41 per share. Of the restricted share units issued, 348,837 can be settled in cash or common shares of the Company at the option of the holder. The restricted share units which can be settled in cash or common shares of the Company have been treated as a liability award.

On June 30, 2014, the Company issued 1,335,000 restricted share units to management and employees which entitles the holders to 1,335,000 common shares of the Company over the vesting period. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.40 per share and vest equally over three years.

As at June 30, 2014, there were a total of 7,671,000 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $1.41, expiring at various dates through 2017. The number of exercisable options at June 30, 2014, was 4,286,875 with a weighted average exercise price of $1.41.

As at June 30, 2014, there were a total of 3,574,846 restricted share units to grant an equivalent number of common shares, with a weighted average exercise price of $0.45, expiring at various dates through 2017.

As at June 30, 2014, there were 12,677,310 warrants outstanding at a weighted average exercise price of $1.31

Should all outstanding options and warrants that were exercisable at June 30, 2014 be exercised, the Company would receive proceeds of $19,818.

As at the date of this report, August 5, 2014, the number of shares outstanding, including escrowed shares, is 171,006,008; the number of options outstanding is 7,671,000; the number of warrants outstanding is 12,677,310; and the number of restricted share units outstanding is 3,574,846. Included in the shares outstanding are 17,932,470 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

Related party transactions, in addition to those entered into with Company directors and management, have been entered into with GHIS and entities controlled and related to the shareholders of GHIS including Jamon Investments LLC ("Jamon"), who own 59,551,287 shares or approximately 35% of the issued and outstanding common shares of the Company as at June 30, 2014. This ownership percentage disclosed assumes the issuance of 17,932,470 escrowed and restricted shares in the total common shares considered to be outstanding.

On May 28, 2014, GHIS exercised 18,650,000 common share purchase warrants at a strike price of $0.33 per common share. Of the gross consideration of $6,155, a reduction of $4,200 was made to settle the completion fees of $1,400 from the LifeMark acquisition and the financing fee of $2,800 related to specific 2011 financing activities previously due and payable to GHIS.

On March 21, 2013, GHIS and the Company negotiated an amended consulting agreement which requires the Company to pay GHIS consulting fees of $75 per month from January 2014 to the completion of the agreement in June 2015.

For the three and six month periods ended June 30, 2014, the Company incurred $225 and $450 (three and six month periods ended June 30, 2013 - $nil and $nil) in GHIS consulting fees, $29 and $48 (three and six month periods ended June 30, 2013 - $39 and $50) in GHIS travel related expenses and $84 and $167 (three and six month periods June 30, 2013 - $87 and $174) in interest on related party amounts.

Included in trade payables and other amounts at June 30, 2014 and December 31, 2013 are $272 and $4,228, respectively, due to GHIS; and $25 and $25, respectively for interest payable to Jamon.

Related party loans

The Company has a promissory note with Jamon for $5,000 that bears interest at 6% with a conversion feature which is due April 30, 2018. The conversion price for the note is $0.46 and the conversion of the note is at the option of the holder. 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 $0.46 per share which expires on April 30, 2018.

On September 3, 2012, the Company issued 1,000,000 restricted shares to the Company's CEO which vest over a four year period. On January 1, 2013, 200,000 of these restricted shares became freely tradeable and on January 1, 2014 the Company released an additional 200,000 shares which became freely tradeable.

Summary of Quarterly Results

	Q2 2014 $	Q1 2014 $	Q4 2013 [7] $	Q3 2013 [7] $
Revenue	79,060	75,144	72,589	68,962
Adjusted EBITDA from continuing operations	7,458	6,544	5,918	6,286
Adjusted EBITDA per share from continuing operations:				
Basic	$0.05	$0.05	0.04	0.05
Diluted	$0.04	$0.03	0.03	0.03
Net loss from continuing operations	(12,884)	(8,763)	(22,937)	(5,409)
Loss per share from continuing operations				
Basic	$(0.09)	$(0.07)	(0.17)	(0.04)
Diluted	$(0.09)	$(0.05)	(0.17)	(0.04)
Adjusted EBITDA	8,234	6,716	6,184	8,558
Adjusted EBITDA per share:				
Basic	$0.06	$0.05	$0.05	$0.06
Diluted	$0.04	$0.04	$0.03	$0.05
Net loss	(21,952)	(27,958)	(39,253)	(40,595)
Loss per share				
Basic	$(0.15)	$(0.21)	(0.30)	(0.31)
Diluted	$(0.15)	$(0.21)	(0.30)	(0.31)

	Q2 2013 [7] $	Q1 2013 [7] $	Q4 2012 $	Q3 2012 $
Revenue	72,663	66,934	65,567	62,488
Adjusted EBITDA from continuing operations	6,778	4,776	3,972	3,447
Adjusted EBITDA per share from continuing operations:				
Basic	$0.05	$0.04	$0.03	0.03
Diluted	$0.04	$0.03	$0.03	0.03
Net (loss) income from continuing operations	(14,751)	2,078	(31,663)	(8,517)
(Loss) earnings per share from continuing operations:				
Basic	$(0.12)	$0.02	$(0.26)	$(0.07)
Diluted	$(0.12)	$0.01	$(0.26)	$(0.07)
Adjusted EBITDA	11,027	7,828	9,591	9,008
Adjusted EBITDA per share				
Basic	$0.09	$0.06	$0.08	$0.08
Diluted	$0.06	$0.04	$0.06	$0.07
Net (loss) income	(13,968)	2,965	(38,530)	(6,273)
(Loss) earnings per share				
Basic	$(0.11)	$0.02	$(0.32)	$(0.05)
Diluted	$(0.11)	$0.02	$(0.32)	$(0.05)

[7] Adjusted EBITDA includes a restatement of previously reported amounts in order to reflect the impact of a non-cash, non-recurring adjustment related to the annual inventory count and valuation of the Company's retail and home medical equipment operations at December 31, 2013. For the quarters ended March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013 the impact of the adjustment was $1,915, $2,185, $1,819 and $1,859, respectively. The impact of the adjustment including the effect of income taxes was $1,408, $1,606, $1,337 and $1,366, respectively.

The Company has shown steady long-term revenue growth in its core operations which is illustrative of the Company's overall growth both organically and through accretive acquisitions. The Company's revenue from continuing operations has increased by $16,572 or 26.5% from the third quarter of 2012 to the second quarter of 2014. Adjusted EBITDA has also more than doubled during this period driven by cost efficiencies including the rationalization initiatives undertaken in the assessments operations within the Physiotherapy, Rehabilitation and Assessments segment in response to regulatory changes that were introduced in Ontario in the fall of 2010. This is further evidenced by the increase of the Adjusted EBITDA margin from 5.5% in the third quarter of 2012 to 9.4% in the second quarter of 2014.

The volatility in net (loss) income quarter over quarter 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 and restructuring costs tend to be proportionate with the size of any acquisitions completed and any restructuring initiatives leading to fluctuations in charges against earnings in certain quarters in 2012, 2013 and 2014.

Revenue from continuing operations grew from $75,144 to $79,060 between the first quarter of 2014 and the second quarter of 2014. Adjusted EBITDA also increased over between the first and second quarters of 2014 from $6,544 to $7,458. This growth in revenue and Adjusted EBITDA is in line with expectations as the second quarter tends to be seasonally stronger for the Company.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

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

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

The Certifying Officers have concluded that, as at June 30, 2014, 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 periods June 30, 2014, 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 August 31 of each year to determine whether or not any impairment in the goodwill and intangible balances recorded exists. In addition, on a quarterly basis, management assesses the reasonableness of assumptions used for the valuation to determine if further impairment testing is required. Management has determined, using the above-noted valuation methods, that there were triggering events which resulted in goodwill, intangible asset and property and equipment impairments of $5,423 for the three month period ended June 30, 2014 and $21,917 for the six month period ended June 30, 2014. 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 $16,768 which the Company has not recorded at June 30, 2014 in respect of certain non-capital losses.

Accounting for Sale of Seniors Wellness and CAR

On May 8, 2014, the Company completed agreements to sell 100% of the common shares of Community Advantage Rehabilitation ("CAR") and 100% of the common shares of Active Health Services ("Active"). The purchase prices of $2,500 and $12,000 respectively were satisfied through the issuance of eight-year notes bearing interest at 7% per annum, payable monthly. The notes require only interest payments over their term, however are due within 60 days if demanded by the Company and can be repaid at any time by the borrower. Repayment can be made either in cash or by a return of security. Upon closing, the Company entered into a transitional services agreement with the buyer to provide certain administrative services for a six month term with an option of the buyer to extend the agreement for an additional six months. The interest rate on the notes increases to 9% upon the expiry of the transitional services agreement. The Company has considered the terms of the notes receivable from the divestitures of Seniors Wellness and CAR in order to assess the appropriate accounting treatment for these notes.

Accounting Changes

Effective January 1, 2014, the Company adopted the following accounting standards:

IFRS 10 *Consolidated Financial Statements* was amended to establish whether an entity meets the definition of an investment entity and sets out guidance on consolidation. An investment entity shall not consolidate its subsidiaries or apply IFRS 3 *Business*

Combinations when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments.*

IAS 27 *Separate Financial Statements* was amended to include requirements for the preparation of separate financial statements and disclosure requirements for investment entities as defined in IFRS 10 *Consolidated Financial Statements.*

IAS 32 *Financial Instruments: Presentation* was amended to provide further guidance on the application of the established criterion to offset a financial assets with a financial liability.

The adoption of the amended standards for IFRS 10, IAS 27 and IAS 32 did not have a significant impact on the Company's interim consolidated financial statements.

Off-Balance Sheet Arrangements

As at June 30, 2014, the Company has no off-balance sheet arrangements.

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).

Divestitures of Motion Specialties, MEDIchair and Methadone Pharmacies

On June 23, 2014, the Company entered into a definitive agreement to sell the assets of its Motion Specialties and MEDIchair retail operations for gross proceeds of $50 million. On June 24, 2014, the Company entered into a definitive agreement to sell the assets of its methadone pharmacy operations for gross proceeds of $20 million. These transactions are subject to various regulatory approvals and the fulfillment of certain other closing conditions customary in transactions of this nature. The Company anticipates that these transactions will be completed in the third quarter of 2014. There is no certainty as to the outcome of the regulatory reviews or completion of the other closing conditions and whether such outcomes could affect the Company. If these transactions are not completed or not completed within the expected time frame, it may impact on the ability of the Company to execute its strategic priorities and could adversely affect the reputation, operations and financial performance of the Company.

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 borrowings of the Company are secured by its lenders 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 lenders may realize on its security and liquidate the assets of the Company.

The Company anticipates receipt of $70 million in gross proceeds from the sale of certain businesses in the third quarter of 2014. The Company has stated its intention to use a portion of these gross proceeds to repay certain lenders, however there can be no assurances as to the extent and timing of such repayments.

The Company had stated that its intention was to redeem the preferred partnership units prior to their third anniversary. The Company's ability to make the redemption payment is dependent on the Company's free cash flow and the completion of alternative financing arrangements with more favorable terms. The Company intends to redeem the preferred partnerships by June 2017.

There can be no certainty that the Company can generate the cash requirements to make this redemption prior to June 2017, however **the Company has no legal obligation to redeem the preferred partnership units until 2084**. If the Company determines that this intention will not be met as reported, the Company will establish a new timeline for the redemption of the preferred partnership units.

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.

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 Health'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 Health and its subsidiaries. The businesses operating in the Rehabilitation and Wellness 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 Health 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 Health. The Company has entered into agreements with long-term care and retirement homes for the provision of pharmacy 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 Health'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 Health integrates these acquired companies into its existing businesses may have a significant short-term impact on Centric Health'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 Health'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 Health'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 Health'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 Health's assessments operations 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 Health could be adversely affected.

In addition, in the Surgical and Medical Centres segment, the patient referrals are dependent on the surgical practitioners affiliated therewith. 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 Health 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 Health '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 Health'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 Health's operations would not be adversely affected.

Confidentiality of Personal and Health Information

Centric Health 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 Health 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 Health'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 Health'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 Company will compete with other potential employers for employees and it may not be successful in keeping the services of the executives and other employees, including healthcare professionals that it requires. The loss of highly skilled executives and 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 Health 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 Health, 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.

Accounting, Tax and Legal Rules and Laws

Any changes to accounting and/or tax standards and pronouncements introduced by authorized bodies may impact on the Company's financial performance. Additionally, changes to any of the federal and provincial laws, regulations or policies in jurisdictions where the Company operates could materially affect the Company's operations and its financial performance. The Company may also incur significant costs in order to comply with any proposed changes. The Company's failure to comply with laws, regulations or policies may expose the Company to legal or regulatory proceedings which could have a material impact on the Company's financial performance.

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. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes. Management is responsible for establishing and maintaining adequate internal controls over financial reporting appropriate to the nature and size of the Company. 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 Health'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.

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.

Ethical Business Conduct

A violation of law, the breach of Company policies or unethical behaviour may impact on the Company's reputation which in turn could negatively affect the Company's financial performance. The Company has established policies and procedures, including a Code of Business Conduct, to support a culture with high ethical standards.

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.

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. The non-IFRS measures presented are unlikely to be comparable to similar measures presented by other issuers.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA per share

The Company defines EBITDA as earnings before depreciation and amortization, interest expense, amortization of lease incentives, and income tax expense (recovery). Adjusted EBITDA is defined as EBITDA before transaction and restructuring costs, change in fair value of contingent consideration liability, impairments, change in fair value of derivative financial instruments, gain on disposal of property and equipment and stock based compensation expense. Adjusted EBITDA Margin 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. The Company's agreements with senior lenders are structured with certain financial performance covenants which includes Adjusted EBITDA as a key component of the covenant calculations. EBITDA and Adjusted EBITDA are not recognized measures under IFRS.

EBITDA and Adjusted EBITDA are as follows for the three and six month periods ended June 30, 2014 and 2013:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2014	2013 [3]	**2014**	2013 [3]
	$	$	**$**	$
Net loss from continuing operations	**(12,884)**	(14,751)	**(21,647)**	(12,673)
Depreciation and amortization	**6,323**	6,666	**12,750**	13,323
Interest expense	**8,169**	12,568	**16,440**	19,486
Amortization of lease incentives	**84**	(47)	**103**	(60)
Income tax expense (recovery)	**2,273**	(2,931)	**1,850**	(5,014)
EBITDA from continuing operations	**3,965**	1,505	**9,496**	15,062
Transaction and restructuring costs	**646**	1,419	**1,646**	1,722
Change in fair value of contingent consideration liability	**664**	(48)	**647**	(6,993)
Stock-based compensation expense	**487**	3,475	**910**	5,222
Change in fair value of derivative financial instruments	**1,694**	427	**1,301**	(3,459)
Gain on disposal of property and equipment	**2**	—	**2**	—
Adjusted EBITDA from continuing operations	**7,458**	6,778	**14,002**	11,554
Adjusted EBITDA from discontinued operations	**776**	4,249	**947**	7,302
Adjusted EBITDA	**8,234**	11,027	**14,949**	18,856
Basic weighted average number of shares	**140,458**	126,698	**137,010**	125,355
Adjusted EBITDA per share from continuing operations (basic)	**$0.05**	$0.05	**$0.10**	$0.09
Adjusted EBITDA per share (basic)	**$0.06**	$0.09	**$0.11**	$0.15
Fully diluted weighted average number of shares	**196,362**	183,873	**192,791**	183,056
Adjusted EBITDA per share from continuing operations (diluted)	**$0.04**	$0.04	**$0.07**	$0.06
Adjusted EBITDA per share (diluted)	**$0.04**	$0.06	**$0.08**	$0.10

Adjusted EBITDA by segment has been determined as follows for the three and six month periods ended June 30, 2014 and 2013:

	As at and for the three month period ended June 30, 2014				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Net income (loss) from continuing operations before interest expense and income taxes	2,829	1,246	436	(6,953)	**(2,442)**
Depreciation and amortization	4,014	1,476	681	152	**6,323**
Amortization of lease incentives	95	7	(12)	(6)	**84**
EBITDA from continuing operations	**6,938**	**2,729**	**1,105**	**(6,807)**	**3,965**
Transaction and restructuring costs	—	—	—	646	**646**
Change in fair value of contingent consideration liability	—	—	—	664	**664**
Stock-based compensation expense	—	—	—	487	**487**
Change in fair value of derivative financial instruments	—	—	—	1,694	**1,694**
Gain on disposal of property and equipment	—	—	—	2	**2**
Adjusted EBITDA from continuing operations	**6,938**	**2,729**	**1,105**	**(3,314)**	**7,458**

	As at and for the six month period ended June 30, 2014				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Net income (loss) from continuing operations before interest expense and income taxes	4,801	2,644	554	(11,356)	**(3,357)**
Depreciation and amortization	8,038	2,947	1,476	289	**12,750**
Amortization of lease incentives	107	28	(23)	(9)	**103**
EBITDA from continuing operations	**12,946**	**5,619**	**2,007**	**(11,076)**	**9,496**
Transaction and restructuring costs	—	—	—	1,646	**1,646**
Change in fair value of contingent consideration liability	—	—	—	647	**647**
Stock-based compensation expense	—	—	—	910	**910**
Change in fair value of derivative financial instruments	—	—	—	1,301	**1,301**
Gain on disposal of property and equipment	—	—	—	2	**2**
Adjusted EBITDA from continuing operations	**12,946**	**5,619**	**2,007**	**(6,570)**	**14,002**

	As at and for the three month period ended June 30, 2013				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Net income (loss) from continuing operations before interest expense and income taxes	2,253	613	201	(8,181)	**(5,114)**
Depreciation and amortization	4,370	1,497	677	122	**6,666**
Amortization of lease incentives	(22)	(14)	(15)	4	**(47)**
EBITDA from continuing operations	**6,601**	**2,096**	**863**	**(8,055)**	**1,505**
Transaction and restructuring costs	—	—	—	1,419	**1,419**
Change in fair value of contingent consideration liability	—	—	—	(48)	**(48)**
Stock-based compensation expense	—	—	—	3,475	**3,475**
Change in fair value of derivative financial instruments	—	—	—	427	**427**
Adjusted EBITDA from continuing operations	**6,601**	**2,096**	**863**	**(2,782)**	**6,778**

	As at and for the six month period ended June 30, 2013				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Net income (loss) from continuing operations before interest expense and income taxes	2,905	884	140	(2,130)	**1,799**
Depreciation and amortization	8,773	2,958	1,375	217	**13,323**
Amortization of lease incentives	3	(15)	(31)	(17)	**(60)**
EBITDA from continuing operations	**11,681**	**3,827**	**1,484**	**(1,930)**	**15,062**
Transaction and restructuring costs	—	—	—	1,722	**1,722**
Change in fair value of contingent consideration liability	—	—	—	(6,993)	**(6,993)**
Stock-based compensation expense	—	—	—	5,222	**5,222**
Change in fair value of derivative financial instruments	—	—	—	(3,459)	**(3,459)**
Adjusted EBITDA from continuing operations	**11,681**	**3,827**	**1,484**	**(5,438)**	**11,554**

Proposed Transactions

On June 24, 2014, the Company announced that it had entered into a definitive agreement to sell the assets of its methadone pharmacy operations for gross proceeds of $20,000. DNPI was part of the Company's Pharmacy Segment. The sale is subject to certain regulatory approvals as well as customary closing conditions. The Company expects this transaction to close immediately following receipt of all regulatory approvals, which are anticipated to be received in the third quarter of 2014.

On June 23, 2014, the Company announced that it had entered into a definitive agreement to sell the majority of the assets of its retail and home medical equipment segment for gross proceeds of $50,000. The sale is subject to certain regulatory approvals as well as customary closing conditions. The Company expects this transaction to close immediately following receipt of all regulatory approvals, which are anticipated to be received in the third quarter of 2014.

Subsequent Events

In August 2014, as a result of the pending divestiture of certain non-core operations and subject to the completion of these divestitures, the Company received a waiver from a financial performance covenant at the September 30, 2014 measurement date and amendments to certain financial performance covenants for the remaining measurement dates up to the maturity of the Revolving Facility in June 2015. In addition, included in the amendments to the Revolving Facility agreement, any future acquisitions greater than $2 million made by the Company will require the approval of the syndicate of lenders.

Additional Information

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

Unaudited Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2014 and 2013

(in thousands of Canadian dollars)

Dated: August 5, 2014

Index

Centric Health Corporation
Unaudited Interim Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	**June 30, 2014**	December 31, 2013
	$	$
Assets		
Current assets		
Trade and other receivables	**33,631**	58,531
Inventories (note 5)	**4,635**	23,953
Prepaid expenses	**1,730**	2,072
	39,996	84,556
Non-current assets		
Property and equipment (note 8)	**17,973**	26,335
Goodwill and intangible assets (note 8)	**205,440**	270,877
Deferred income tax assets (note 11)	**3,670**	9,140
Loans receivable (note 4)	**11,376**	184
Investments in franchisees	**—**	208
	238,459	306,744
Assets held for sale (note 20)	**75,007**	—
Total assets	**353,462**	391,300
Liabilities		
Current liabilities		
Bank indebtedness	**663**	2,625
Trade payables and other amounts (notes 6, 13 and 14)	**38,633**	62,599
Current portion of borrowings (note 9)	**29,800**	—
Current portion of finance lease liabilities	**84**	181
Current portion of contingent consideration (note 7)	**282**	217
Income taxes payable	**1,053**	1,232
	70,515	66,854
Non-current liabilities		
Borrowings (note 9)	**237,766**	257,571
Preferred partnership units (note 10)	**35,525**	35,500
Contingent consideration (note 7)	**1,904**	1,407
Finance lease liabilities	**75**	84
Deferred income tax liabilities (note 11)	**4,790**	10,283
Deferred lease incentives	**3,016**	2,848
Derivative liability portion of convertible borrowings (note 9)	**2,616**	1,720
Derivative financial instruments (note 9)	**84**	120
	285,776	309,533
Liabilities held for sale (note 20)	**25,113**	—
Total liabilities	**381,404**	376,387
Equity		
Share capital (note 15)	**104,635**	99,081
Warrants	**3,647**	6,590
Contributed surplus	**15,766**	11,179
Equity portion of convertible borrowings	**7,119**	7,119
Accumulated other comprehensive income	**18**	28
Deficit	**(159,990)**	(109,822)
Equity attributable to shareholders of Centric Health Corporation	**(28,805)**	14,175
Non-controlling interests	**863**	738
Total equity	**(27,942)**	14,913
Total liabilities and equity	**353,462**	391,300

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

Centric Health Corporation
Unaudited Interim Consolidated Statements of Income

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

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2014	2013 (Restated - note 22)	**2014**	2013 (Restated - note 22)
	$	$	**$**	$
Revenue	**79,060**	72,663	**154,204**	139,597
Cost of healthcare services and supplies	**47,266**	44,334	**92,520**	85,297
General and administrative expenses (notes 3)	**31,232**	31,645	**61,447**	61,231
Transaction and restructuring costs (note 6)	**646**	1,419	**1,646**	1,722
Loss from operations	**(84)**	(4,735)	**(1,409)**	(8,653)
Interest expense (note 12)	**8,169**	12,568	**16,440**	19,486
Change in fair value of derivative financial instruments (note 9)	**1,694**	427	**1,301**	(3,459)
Change in fair value of contingent consideration liability (note 7)	**664**	(48)	**647**	(6,993)
Loss before income taxes	**(10,611)**	(17,682)	**(19,797)**	(17,687)
Income tax expense (recovery)	**2,273**	(2,931)	**1,850**	(5,014)
Net loss from continuing operations	**(12,884)**	(14,751)	**(21,647)**	(12,673)
(Loss) income from discontinued operations (note 20)	**(9,068)**	783	**(28,264)**	1,670
Net loss	**(21,952)**	(13,968)	**(49,911)**	(11,003)
Net (loss) income attributable to:				
Shareholders of Centric Health Corporation	**(22,073)**	(14,030)	**(50,168)**	(11,239)
Non-controlling interests	**121**	62	**257**	236
Basic loss per common share				
From continuing operations	**($0.09)**	($0.12)	**($0.16)**	($0.10)
From discontinued operations	**($0.06)**	$0.01	**($0.21)**	$0.01
	($0.15)	($0.11)	**($0.37)**	($0.09)
Diluted loss per common share				
From continuing operations	**($0.09)**	($0.12)	**($0.16)**	($0.10)
From discontinued operations	**($0.06)**	$0.01	**($0.21)**	$0.01
	($0.15)	($0.11)	**($0.37)**	($0.09)
Weighted average number of common shares outstanding (in thousands) (note 15)				
Basic	**140,458**	126,698	**137,010**	125,355
Diluted	**196,362**	183,873	**192,791**	183,056

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

Centric Health Corporation
Unaudited Interim Consolidated Statement of Comprehensive Income

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

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2014	2013 (Restated - note 22)	**2014**	2013 (Restated - note 22)
	$	$	**$**	$
Net loss	**(21,952)**	(13,968)	**(49,911)**	(11,003)
Amortization of deferred gain on interest rate swaps	**(5)**	(143)	**(10)**	(163)
Comprehensive loss	**(21,947)**	(13,825)	**(49,901)**	(10,840)
Comprehensive (loss) income attributable to:				
Shareholders of Centric Health Corporation	**(22,068)**	(13,887)	**(50,158)**	(11,076)
Non-controlling interests	**121**	62	**257**	236
Comprehensive (loss) income attributable to:				
Continuing operations	**(13,000)**	(14,670)	**(21,894)**	(12,746)
Discontinued operations	**(9,068)**	783	**(28,264)**	1,670

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

	Number of shares[1]	Share Capital $	Warrants $	Contributed surplus $	Equity portion of convertible borrowings $	AOCI[2] $	Deficit $	Equity attributable to the shareholders of Centric Health Corporation $	Non-controlling interest $	Total $
Balance at December 31, 2012	**121,389,445**	**92,201**	**6,256**	**7,928**	**6,498**	**201**	**(18,731)**	**94,353**	**753**	**95,106**
Options and restricted share units vested and issued	1,263,054	709	—	(150)	—	—	—	559	—	559
Shares released from escrow and warrants issued as contingent consideration	3,071,099	1,738	668	—	—	—	—	2,406	—	2,406
Shares released from escrow for compensation	1,500,000	915	—	—	—	—	—	915	—	915
Expiry of warrants	—	—	(297)	297	—	—	—	—	—	—
Settlement of interest rate swap	—	—	—	—	—	(138)	—	(138)	—	(138)
Amortization of deferred gain on interest rate swap	—	—	—	—	—	(25)	—	(25)	—	(25)
Deferred compensation expense	200,000	217	47	3,693	—	—	—	3,957	—	3,957
Payments to non-controlling interests	—	—	—	—	—	—	—	—	(110)	(110)
Net income for the period (restated - note 22)	—	—	—	—	—	—	(11,239)	(11,239)	236	(11,003)
Balance at June 30, 2013	**127,423,598**	**95,780**	**6,674**	**11,768**	**6,498**	**38**	**(29,970)**	**90,788**	**879**	**91,667**
Balance at December 31, 2013	133,363,294	99,081	6,590	11,179	7,119	28	(109,822)	14,175	738	14,913
Options and restricted share units vested and issued	599,414	197	—	(147)	—	—	—	50	—	50
Shares released from escrow or treasury and warrants issued as contingent consideration	260,830	105	—	—	—	—	—	105	—	105
Amortization of deferred gain on interest rate swap	—	—	—	—	—	(10)	—	(10)	—	(10)
Shares issued to GHIS on the exercise of warrants (note 16)	18,650,000	5,036	(2,981)	4,128	—	—	—	6,183	—	6,183
Extinguishment of convertible debt	—	—	(10)	10	—	—	—	—	—	—
Deferred compensation expense	200,000	216	48	596	—	—	—	860	—	860
Payments to non-controlling interests	—	—	—	—	—	—	—	—	(132)	(132)
Net (loss) income for the period	—	—	—	—	—	—	(50,168)	(50,168)	257	(49,911)
Balance at June 30, 2014	**153,073,538**	**104,635**	**3,647**	**15,766**	**7,119**	**18**	**(159,990)**	**(28,805)**	**863**	**(27,942)**

[1] Excludes 17,932,470 of contingent shares held in escrow and restricted shares at June 30, 2014 (note 15).

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

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

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

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2014	2013 (Restated - note 22)	**2014**	2013 (Restated - note 22)
Cash provided by (used in):	**$**	$	**$**	$
Operating activities				
Net loss for the period	**(21,952)**	(13,968)	**(49,911)**	(11,003)
Adjustments for:				
Interest expense (note 12)	**8,169**	12,568	**16,440**	19,486
Change in fair value of derivative financial instruments (note 9)	**1,694**	427	**1,301**	(3,459)
Gain on disposal of property and equipment	**(11)**	—	**(11)**	(5)
Depreciation of property and equipment	**1,671**	2,032	**3,479**	3,781
Amortization of finite-life intangible assets	**6,511**	6,846	**13,062**	13,658
Amortization of lease incentives	**99**	105	**184**	137
Leasehold inducements	**369**	158	**384**	780
Income taxes paid	**(715)**	(936)	**(3,031)**	(1,168)
Income tax expense (recovery)	**605**	(2,300)	**674**	(4,382)
Stock-based compensation expense (note 3)	**487**	3,475	**910**	5,222
Impairments (note 20)	**5,423**	—	**21,917**	—
Change in the fair value of contingent consideration liability (note 7)	**664**	(48)	**647**	(6,993)
Loss on sale of business (note 20)	**2,795**	—	**2,795**	—
Net change in non-cash working capital items (note 21)	**2,801**	(1,898)	**3,602**	(9,393)
Cash provided by operating activities	**8,610**	6,461	**12,442**	6,661
Investing activities				
Purchase of intangible assets (note 8)	**(226)**	(412)	**(356)**	(542)
Purchase of property and equipment (note 8)	**(1,440)**	(1,939)	**(3,421)**	(3,956)
Acquisition of businesses (note 6)	**(305)**	125	**(305)**	(86)
Payment of contingent consideration (note 7)	**(25)**	(176)	**(25)**	(864)
Cash transferred as part of the sale of businesses	**(1,436)**	—	**(1,436)**	—
Decrease in loans receivable from franchisees	**27**	86	**70**	150
Cash used in investing activities	**(3,405)**	(2,316)	**(5,473)**	(5,298)
Financing activities				
Bank indebtedness	**663**	—	**(1,962)**	—
Interest paid	**(11,826)**	(4,963)	**(13,539)**	(9,580)
Repayment of borrowings	**—**	(184,503)	**(80)**	(188,253)
Proceeds from second lien senior secured notes, net of loan arrangement costs	**—**	194,217	**—**	194,217
Proceeds from term loan and Revolving Facility, net of loan arrangement costs	**—**	3,982	**—**	14,945
Proceeds from new Revolving Facility (note 9)	**2,800**	18,100	**6,800**	18,100
Repayment of preferred partnership units (note 10)	**—**	(30,000)	**—**	(30,000)
Repayment of finance leases	**(47)**	(305)	**(84)**	(522)
Payments to non-controlling interests	**(34)**	(29)	**(132)**	(110)
Proceeds on disposal of property and equipment	**45**	—	**45**	5
Settlement of interest rate swaps (note 9)	**—**	(966)	**—**	(966)
Issuance of common shares, warrants and convertible debt, net of issuance costs (note 15)	**1,983**	207	**1,983**	207
Cash used in financing activities	**(6,416)**	(4,260)	**(6,969)**	(1,957)
Decrease in cash and cash equivalents	**(1,211)**	(115)	**—**	(594)
Cash and cash equivalents, beginning of period	**1,211**	115	**—**	594
Cash and cash equivalents, end of period	**—**	—	**—**	—

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

1. Significant Accounting Policies

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

These condensed unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2014 and 2013 have been prepared by the Company 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, 2013, which have been prepared in accordance with IFRS.

These financial statements were approved by the Board of Directors on August 5, 2014.

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, 2013, 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.

Segment Reporting

As a result of the strategic initiative to define the Company's long term operating model and the Company's decision to divest the majority of its retail and home medical equipment operations, the Company's Chief Operating Decision Maker ("CODM") has amended the manner in which the business is operated and accordingly how financial information is presented to the CODM. As a result, the Company has amended its reportable operating segments and will now present three reportable operating segments rather than five reportable operating segments as was previously presented. Operating segments, as reported to the CODM are as follows: Physiotherapy, Rehabilitation and Assessments, Specialty Pharmacy, and Surgical and Medical Centres. The assessment operations which were separately reported in the past are now reported as part of the renamed Physiotherapy, Rehabilitation and Assessments segment. This segment was previously named the Physiotherapy segment. As a result of the divestiture of the majority of its retail and home medical equipment segment, the remaining component of this segment will now be reported as part of the Physiotherapy, Rehabilitation and Assessments segment. The comparative balances in note 19 have been amended to reflect the presentation of three reportable operating segments.

Adoption of new accounting standards

Effective January 1, 2014, the Company adopted the following accounting standards:

IFRS 10 *Consolidated Financial Statements* was amended to establish whether an entity meets the definition of an an investment entity and sets out guidance on consolidation. An investment entity shall not consolidate its subsidiaries or apply IFRS 3 *Business Combinations* when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments.*

1. Significant Accounting Policies - continued

IAS 27 *Separate Financial Statements* was amended to include requirements for the preparation of separate financial statements and disclosure requirements for investment entities as defined in IFRS 10 *Consolidated Financial Statements.*

IAS 32 *Financial Instruments: Presentation* was amended to provide further guidance on the application of the established criterion to offset a financial assets with a financial liability.

The adoption of the amended standards for IFRS 10, IAS 27 and IAS 32 did not have a significant impact on the Company's annual or interim consolidated financial statements.

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 until financial periods beginning on or after January 1, 2015 and have not been early adopted are discussed in the Company's annual financial statements for the year ended December 31, 2013, except for IFRS 2, *Share-based Payments*, IFRS 3, *Business Combinations*, IFRS 8, *Operating Segments*, IFRS 13, *Fair Value Measurements*, IAS 16, *Property Plant and Equipment*, IAS 24, *Related Party Disclosures* and IAS 38, *Intangible Assets*. Amendments to these standards are part of annual improvements to IFRS and the adoption of these standards is not expected to have a material affect on the Company's financial statements.

2. Liquidity Risk, Capital Management and Financing

The Company manages its capital structure 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 securities such as convertible debt, or by replacing existing debt with debt on terms more consistent with the Company's needs.

On June 23, 2014 the Company announced it had entered into a definitive agreement to sell substantially all of its retail and home medical equipment operations for gross proceeds of $50,000. On June 24, 2014, the Company announced it had entered into a definitive agreement to sell its methadone pharmacy operations for gross proceeds of $20,000. The Company expects these transactions to close in the third quarter of 2014. Upon the closing of these transactions and the settlement of working capital adjustments and transaction costs, the Company expects to utilize a portion of the proceeds from these transactions in order to partially repay certain debt obligations. The repayment of these debt obligations will be within the terms which are permissible under the Company's Revolving Facility agreement and the trust indenture on the second lien senior secured notes. The Company also intends to use a portion of these proceeds on organic and acquisition growth initiatives within its core operations.

2. Liquidity Risk, Capital Management and Financing - continued

The April 2013 trust indenture outlines how the net proceeds of proposed divestitures can be deployed. The trust indenture for the second lien senior secured notes also requires the Company to maintain a minimum of $25 million Revolving Facility or equivalent cash reserves for working capital needs. In addition, after the 365 days following the receipt of proceeds from business divestitures, if the aggregate proceeds not yet redeployed exceeds $10 million, the second lien senior secured note trust indenture provides that such funds be used to redeem the second lien senior secured notes from all holders at par plus accrued and unpaid interest.

The Company intends to use a minimum of $25 million of net process from the proposed divestitures towards debt repayment. Debt repayment will be undertaken within the parameters of the trust indenture for the Company's second lien senior secured notes as described above. As soon as reasonably practicable following the closing of the sales, the Company intends to repay $10 million of its Revolving Facility, which will permanently reduce the capacity of the Revolving Facility to $40 million. As soon as reasonably practicable following working capital adjustment processes related to the transactions (expected to be within 90 days of the latter closing), the Company intends to apply an additional $15 million to debt reduction through some combination of additional permanent reduction of the Revolving Facility, redemption of second lien senior secured notes and redemption of the preferred partnership units.

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. In addition, the Company's Revolving Facility, with a limit of $50,000, includes financial performance covenants through to its maturity in June 2015. On March 27, 2014, the Company and its senior lenders made amendments to the Revolving Facility for financial performance covenants for 2014 and beyond. The amendments resulted from the funding reductions in Ontario from the Ministry of Health and Long Term Care for seniors physiotherapy services and a perceived conflict of interest matter which impacted the profitability of its retail and home medical equipment and seniors wellness operations. The Company was in compliance with its financial performance covenants at June 30, 2014. However, as a result of the divestitures announced in the second quarter of 2014, the Company expects to not be in compliance with a financial performance covenant as at September 30, 2014. Accordingly, on August 5, 2014, subject to the completion of the divestitures, the Company received a waiver for a financial performance covenant at the September 30, 2014 measurement date and amendments to certain financial performance covenants for the remaining measurement dates up to the maturity of the Revolving Facility in June 2015.

The Company's 2014 budget from continuing operations reflects an improvement over the Company's 2013 results through organic growth, operational improvements and cost containment initiatives. Based on its 2014 operating budget and cash flow management initiatives, 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 maturity of the Revolving Facility, except for the financial performance covenant for which a waiver was obtained for the September 30, 2014 measurement date. 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.

3. General and Administrative Expenses

The components of general and administrative expenses are as follows:

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2014	2013 (Restated - note 22)	**2014**	2013 (Restated - note 22)
	$	$	**$**	$
Employee costs	**9,720**	8,620	**18,971**	16,523
Other operating expenses	**10,569**	8,957	**20,648**	18,387
Corporate office expenses	**4,131**	3,927	**8,166**	7,776
Depreciation and amortization	**6,323**	6,666	**12,750**	13,323
Stock-based compensation expense	**487**	3,475	**910**	5,222
Gain on disposal of property and equipment	**2**	—	**2**	—
	31,232	31,645	**61,447**	61,231

4. Loans Receivable

The Company's loans receivable balances as at June 30, 2014 and December 31, 2013 consisted of the following:

	June 30, 2014	December 31, 2013
	$	$
Loan receivable from the sale of CAR and Active	**14,500**	—
Unaccreted discount on loan receivable from the sale of CAR and Active	**(3,124)**	—
Loans receivable from franchisees	**—**	184
	11,376	184

On May 8, 2014, the Company completed agreements to sell 100% of the common shares of Community Advantage Rehabilitation ("CAR") and 100% of the common shares of Active Health Services ("Active"). The purchase prices of $2,500 and $12,000 respectively were satisfied through the issuance of eight-year notes bearing interest at 7% per annum, payable monthly. The notes require only interest payments over their term, however are due within 60 days if demanded by the Company and can be repaid at any time by the borrower. Repayment can be made either in cash or by a return of security. Upon closing, the Company entered into a transitional services agreement with the buyer to provide certain administrative services for a six month term with an option of the buyer to extend the agreement for an additional six months. The interest rate on the notes increases to 9% upon the expiry of the transitional services agreement.

Loans receivable from franchisees for the period ended December 31, 2013 in the amount of $184 are related to the MediChair Ltd. franchise operations. At June 30, 2014, the loans receivable from franchisees in the amount of $114 have been presented as assets held for sale as disclosed in note 20.

5. Inventories

The Company's inventory balances as at June 30, 2014 and December 31, 2013 consisted of the following:

	June 30, 2014	December 31, 2013
	$	$
Retail and home medical equipment	—	18,529
Medical supplies and prescription drugs	**4,635**	5,424
	4,635	23,953

There were no reversals of inventory provisions for the three and six month periods ended June 30, 2014 and 2013. Inventories are pledged as security as part of the Company's lending agreements as outlined in note 9. As at June 30, 2014, $19,070 of inventory has been presented as assets held for sale as disclosed in note 20, of which $18,586 relates to the Company's retail and home medical equipment operations and $484 relates to the Company's methadone pharmacy operations.

6. Business Combinations

On May 30, 2014, the Company acquired the assets of three physiotherapy clinics for cash consideration of $260. These clinics will be presented in the Physiotherapy, Rehabilitation and Assessments segment. Goodwill of $271 has been added to the Company's cumulative eligible capital pool for income tax purposes. These three physiotherapy clinics have revenues of $80 and a loss from operations of $9 which have been included in the Company's interim financial statements from the date of acquisition to June 30, 2014.

The purchase price and fair value of the net assets acquired for the three physiotherapy acquisitions are as follows:

Purchase price	**Physiotherapy Clinics $**
Cash consideration	260
Contingent consideration	45
Total	**305**

Fair value of net assets acquired	**Physiotherapy Clinics $**
Property and equipment	34
Goodwill	271
Total	**305**

The purchase price allocation for the three physiotherapy clinic acquisitions are not final as the Company has yet to value intangible assets obtained from this acquisition.

6. Business Combinations - continued

2013 Acquisitions

The purchase price and fair value of the net assets acquired for the Company's 2013 acquisitions are as follows:

Purchase price	SmartShape $	Retail and Home Medical Store $	Total $
Cash consideration	1,608	187	**1,795**
Contingent consideration	987	—	**987**
Total	**2,595**	**187**	**2,782**

Fair value of net assets acquired	SmartShape $	Retail and Home Medical Store $	Total $
Current assets	137	184	**321**
Property and equipment	50	3	**53**
Goodwill	2,659	—	**2,659**
Less: liabilities assumed	251	—	**251**
Total	**2,595**	**187**	**2,782**

The purchase price allocation for SmartShape Weight Loss Centres ("SmartShape") is not final as the Company has yet to value any intangible assets obtained from this acquisition or finalize the valuation of the initial contingent consideration. During the six month period ended June 30, 2014, the Company recorded adjustments of $45 to goodwill for SmartShape in finalizing the opening working capital for this acquisition.

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, and legal and consulting costs for business restructuring 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. Included in transaction costs for the three and six month periods ended June 30, 2014 are advisory fees of $175 related to Global Healthcare Investments and Solutions, Inc. (“GHIS”), a related party. This represents the portion of monthly fees which is associated with transaction related activities.

Transaction and restructuring costs for the three and six month periods ended June 30, 2014 and 2013 consist of the following:

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Transaction costs	**208**	113	**211**	138
Start-up costs	**186**	216	**205**	315
Restructuring costs	**252**	1,090	**1,230**	1,269
	646	1,419	**1,646**	1,722

6. Business Combinations - continued

At June 30, 2014, the Company had accrued liabilities related to restructuring costs of $1,347 (December 31, 2013 - $2,299) included in trade and other payables consisting of the following:

	Severance $	Closed Locations $	Other $	Total $
Balance at December 31, 2013	975	1,276	48	**2,299**
Amount transferred to discontinued operations	(326)	(85)	—	**(411)**
Additions	435	43	938	**1,416**
Payments	(731)	(333)	(707)	**(1,771)**
Reversals	—	(186)	—	**(186)**
Balance at June 30, 2014	**353**	**715**	**279**	**1,347**

7. 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[3] $	Issuable common shares [3]	Issuable outperformance warrants[3]	Range of value of contingent consideration $	Probability to achieve contingent consideration cash and common shares	Contingent consideration liability at June 30, 2014 $
Blue Water	Aug. 17, 2011	3 years	—	6,153,846	3,076,923	0 – 731	0%	—
Motion Specialties	Feb. 13, 2012	3 years	15,000	9,004,630	7,500,000	0 – 6,126	0%	—
SmartShape	Dec. 2, 2013	2 years	800	1,075,000	600,000	0 - 1,828	100%	**1,733**
Other	Various	3 years	600	2,067,147	1,143,007	0 – 591	0% - 100%	**453**
Total			**16,400**	**18,300,623**	**12,319,930**	**0 – 9,276**		**2,186**

[3] The contingent cash, issuable common shares and outperformance warrants are only issued to the vendors of the transaction to the extent that the acquired business outperforms their warranted performance targets as established in the respective transaction agreements. The number of issuable common shares, issuable outperformance warrants and contingent cash represent the maximum issuable at inception in the respective transaction agreements.

The maximum possible contingent consideration is an estimate. The maximum possible contingent consideration has been valued at $9,276 based on the share price of the Company's common shares on June 30, 2014 ($0.40 per share) less a discount to reflect that the shares are not freely tradeable and the present value of the contingent cash consideration.

During the three month period ended June 30, 2014, the Company increased the probability of SmartShape achieving their contingent consideration from 80% to 100% based on actual and projected targets.

During the three months period ended June 30, 2014, the Company issued 260,830 common shares from treasury to the vendors of physiotherapy clinics as consideration for the earn-out agreements for these acquisitions.

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

	SmartShape $	Other $	Total $
Balance at December 31, 2013:	1,006	618	**1,624**
Fair value at date of acquisition	—	45	**45**
Change in fair value during the period	727	(80)	**647**
Contingent consideration settled in shares	—	(105)	**(105)**
Contingent consideration settled in cash	—	(25)	**(25)**
Total contingent consideration	**1,733**	**453**	**2,186**
Less: current portion	**—**	**282**	**282**
Non-current portion at June 30, 2014	**1,733**	**171**	**1,904**

The above table includes contingent consideration payable in cash, subject to achieving performance milestones, in the amount of $110 at June 30, 2014 all of which may be payable within one year. In addition, the above table includes accrued liabilities of $1,592 for contingent payment terms which may be payable if the Company's share price does not reach predetermined levels as specified in certain purchase and sale agreements.

8. Goodwill, Intangible Assets and Property and Equipment

	Goodwill $	Intangible Assets $	Total $	Property and Equipment $
Year ended December 31, 2012	**213,345**	**140,375**	**353,720**	**25,002**
Additions	—	1,258	1,258	8,720
Acquisitions	2,614	—	2,614	53
Finance leases	—	—	—	40
Disposals	—	—	—	(3)
Purchase price allocation adjustment	(457)	356	(101)	—
Amortization	—	(27,107)	(27,107)	(7,477)
Impairment	(44,500)	(15,007)	(59,507)	—
Year ended December 31, 2013	**171,002**	**99,875**	**270,877**	**26,335**
Additions	—	356	356	3,421
Acquisitions	271	—	271	34
Disposals	—	—	—	(35)
Disposals from sale of business	(5,434)	(889)	(6,323)	(926)
Purchase price allocation	45	—	45	—
Amortization	—	(10,321)	(10,321)	(2,429)
Amortization on disposal group	—	(2,741)	(2,741)	(1,050)
Impairment on disposal group	(20,465)	(1,123)	(21,588)	(329)
Assets classified as held for sale	(221)	(24,915)	(25,136)	(7,048)
Six month period ended June 30, 2014	**145,198**	**60,242**	**205,440**	**17,973**
As at December 31, 2013				
Cost	286,190	192,286	478,476	47,270
Accumulated amortization and impairment	(115,188)	(92,411)	(207,599)	(20,935)
Net carrying value	**171,002**	**99,875**	**270,877**	**26,335**
As at June 30, 2014				
Cost	200,681	132,002	332,683	33,333
Accumulated amortization and impairment	(55,483)	(71,760)	(127,243)	(15,360)
Net carrying value	**145,198**	**60,242**	**205,440**	**17,973**

The Company has $1,656 of indefinite life intangible assets at June 30, 2014 (December 31, 2013 - $1,947). Goodwill and intangible assets of $25,136 and property and equipment of $7,048 have been included in assets held for sale as disclosed in note 20.

9. Borrowings

Borrowings consist of the following:

	June 30, 2014	December 31, 2013
	$	$
Second lien senior secured notes	**200,000**	200,000
Loan arrangement costs	**(4,603)**	(5,153)
Revolving Facility	**29,800**	23,000
Convertible debt	**53,308**	53,388
Unaccreted discount on convertible debt	**(14,390)**	(16,490)
Fair value of redemption features[4]	**441**	—
Related party convertible loan (note 14)	**5,000**	5,000
Unaccreted discount on related party convertible loan	**(1,990)**	(2,174)
Total borrowings	**267,566**	257,571
Less: current portion of borrowings	**29,800**	—
Total non-current borrowings	**237,766**	257,571

[4] Fair value of redemption features are embedded derivatives 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 $441 at June 30, 2014 (December 31, 2013 - $nil). The second lien senior secured notes include certain restrictions on the Company's ability to take on additional indebtedness based on its financial performance.

On April 18, 2013, the Company entered into an amended and restated credit agreement to establish a Revolving Facility with a maximum borrowing limit of $50,000 and matures on June 9, 2015. 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. This Revolving Facility includes quarterly financial performance measurement covenants. On March 27, 2014, the Company and its senior lenders amended the Revolving Facility, which included amendments to certain financial performance covenants for 2014 and beyond. In August 2014, as a result of the pending divestiture of certain non-core operations and subject to the completion of these divestitures, the Company received a waiver from a financial performance covenant at the September 30, 2014 measurement date and amendments to certain financial performance covenants for the remaining measurement dates up to the maturity of the Revolving Facility in June 2015. In addition, included in the amendments to the Revolving Facility agreement, any future acquisitions greater than $2 million made by the Company will require the approval of the syndicate of lenders. The Company was in compliance with its financial performance covenants at June 30, 2014. As at June 30, 2014, the Company had borrowed $29,800 from the Revolving Facility.

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.

9. Borrowings - continued

The Company's convertible debt as at June 30, 2014 and 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	10,808	December 22, 2016	6.00%
Private placement	15,000	April 30, 2016	5.50%
Public debt	27,500	October 31, 2017	6.75%
	53,308		

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

	For the six month period ended June 30, 2014 $	For the year ended December 31, 2013 $
Unaccreted discount on convertible borrowings, beginning of period	**16,490**	20,011
Additional discounts from convertible debt	**—**	—
Accretion expense (note 12)	**(2,100)**	(3,521)
Unaccreted discount on convertible borrowings, end of period	**14,390**	16,490

At June 30, 2014, the fixed interest rate on the Company's $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 mark-to-market gain on interest rate swaps not designated as a hedge was $22 for the three month period ended June 30, 2014 (June 30, 2013 - loss of $29) and $36 for the six month period ended June 30, 2014 (June 30, 2013 - loss of $179). At June 30, 2014, the Company recorded a liability of $84 (December 31, 2013 - $120) for this derivative financial instrument.

The continuity of the redemption features are as follows:

	For the six month period ended June 30, 2014 $	For the year ended December 31, 2013 $
Redemption feature, beginning of period	**—**	(1,540)
Change in fair value of redemption features	**441**	1,540
Redemption features, end of period	**441**	—

The change in fair value of derivative financial instruments for the three and six month periods ended June 30, 2014 and 2013 are as follows:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2014 $	2013 $	**2014 $**	2013 $
Change in fair value of interest rate swaps	**(22)**	29	**(36)**	179
Change in fair value of redemption feature	**267**	1,007	**441**	1,830
Change in fair value of derivative liability portion of convertible borrowings	**1,449**	(609)	**896**	(5,468)
	1,694	427	**1,301**	(3,459)

9. Borrowings - continued

The continuity of the derivative financial instruments is as follows:

	For the six month period ended June 30, 2014 $	For the year ended December 2013 $
Derivative financial instruments, beginning of period	**120**	823
Change in fair value of interest rate swaps	**(36)**	263
Settlement of interest rate swaps	**—**	(966)
Derivative financial instruments, end of period	**84**	120

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

	For the six month period ended June 30, 2014 $	For the year ended December 2013 $
Derivative liability portion of convertible borrowings, beginning of period	**1,720**	8,409
Change in fair value of derivative liability portion of convertible borrowings	**896**	(6,689)
Derivative liability portion of convertible borrowings, end of period	**2,616**	1,720

The fair value of the derivative liability portion of convertible borrowings is based on a modified Black-Scholes valuation method. The key valuation assumptions at June 30, 2014 are as follows:

	Directed share program	**Public debt**	**Private placement redemption feature**
Expected volatility	51.88%	51.88%	51.88%
Risk-free interest rate	1.51%	1.66%	1.43%
Credit spread	31.83%	31.83%	31.83%

10. Preferred Partnership Units

The balance of $35,525 (December 31, 2013 - $35,500) represents preferred partnership units issued by LifeMark Health Limited Partnership to Alaris Income Growth Fund Partnership (“Alaris”). The principal balance grows at 4% annually from the third anniversary of June 9, 2014. The Company is not required to redeem the preferred partnership units until 2084. Alaris is entitled to annual distributions of $3,957 for the annual period commencing July 1, 2014 with annual increases of 4% at the end of each year thereafter. The Company intends on redeeming the preferred partnership units by June 9, 2017 and has presented this amount as a long-term liability. The Company is accreting to interest expense the amount expected to be payable on June 9, 2017 of $39,933.

11. 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, 2013 - 26.5%) due to permanent and timing differences. Permanent differences in the three and six month periods ended June 30, 2014 and 2013 arose as a result of contingent consideration and intangible assets recognized for accounting purposes that will never be realized as a deduction for income tax purposes.

Deferred income tax assets and liabilities are presented based on a net basis by legal entity on the unaudited interim consolidated statement of financial position. The Company's net deferred tax liability on the statement of financial position is as follows:

	June 30, 2014	December 31, 2013
	$	$
Deferred income tax asset	**3,670**	9,140
Deferred income tax liability	**4,790**	10,283
Net deferred income tax liability	**(1,120)**	(1,143)

As at June 30, 2014 and December 31, 2013, the Company had $80,718 and $70,769, respectively of gross tax loss carryforwards, which will expire between 2014 and 2034. 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 $16,768 which the Company has not recorded at June 30, 2014 (December 31, 2013 - $13,500) in respect of $63,277 (December 31, 2013 - $50,800) of non-capital losses carried forward, of which $2,352 is attributable to the surgical operations in Sarnia, Ontario. At June 30, 2014 and December 31, 2013, deferred tax assets of $40 and $40 were not recognized for capital losses for which the Company does not expect to realize the related benefit.

12. Interest Expense

Interest expense for the three and six month periods ended June 30, 2014 and 2013 is comprised of the following:

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Interest on Term Loan, Revolving Facility and second lien senior secured notes	**4,913**	4,357	**9,747**	7,138
Amortization of loan arrangement fees	**287**	5,184	**592**	5,682
Interest on related party amounts	**158**	162	**315**	323
Accretion of related party loan discounts	**82**	115	**184**	224
Interest on capital leases	**11**	19	**28**	31
Amortization of deferred gain on interest rate swap	**(5)**	(143)	**(10)**	(163)
Interest on convertible debt	**832**	801	**1,654**	1,592
Accretion on convertible debt	**1,043**	842	**2,100**	1,673
Accretion on preferred partnership units	**25**	—	**25**	—
Interest expense before distributions for preferred partnership units	**7,346**	11,337	**14,635**	16,500
Distributions for preferred partnership units	**1,003**	1,238	**1,992**	2,993
Total interest expense	**8,349**	12,575	**16,627**	19,493
Interest income	**(180)**	(7)	**(187)**	(7)
Net interest expense	**8,169**	12,568	**16,440**	19,486

13. Trade Payables and Other Amounts

Trade and other payables at June 30, 2014 and December 31, 2013 are comprised of the following:

	June 30, 2014	December 31, 2013
	$	$
Trade payables	**15,096**	37,167
Accrued liabilities	**20,994**	17,735
Deferred revenue	**899**	1,170
Amounts payable to related parties (note 14)	**297**	4,228
Restructuring costs (note 6)	**1,347**	2,299
	38,633	62,599

For the period ended June 30, 2014, $24,690 of trade payables and other amounts have been presented as liabilities held for sale as disclosed in note 20.

14. Related Party Transactions and Balances

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

Related party transactions

Related party transactions, in addition to those entered into with Company directors and management, have been entered into with GHIS and entities controlled and related to the shareholders of GHIS including Jamon Investments LLC ("Jamon"), who own 59,551,287 shares or approximately 35% of the issued and outstanding common shares of the Company as at June 30, 2014. This ownership percentage disclosed assumes the issuance of 17,932,470 escrowed and restricted shares in the total common shares considered to be outstanding.

On May 28, 2014, GHIS exercised 18,650,000 common share purchase warrants at a strike price of $0.33 per common share. Of the gross consideration of $6,155, a reduction of $4,200 was made to settle the completion fees of $1,400 from the LifeMark acquisition and the financing fee of $2,800 related to specific 2011 financing activities previously due and payable to GHIS.

On March 21, 2013, GHIS and the Company negotiated an amended consulting agreement which requires the Company to pay GHIS consulting fees of $75 per month from January 2014 to the completion of the agreement in June 2015.

For the three and six month periods ended June 30, 2014, the Company incurred $225 and $450 (three and six month periods ended June 30, 2013 - $nil and $nil) in GHIS consulting fees, $29 and $48 (three and six month periods ended June 30, 2013 - $39 and $50) in GHIS travel related expenses and $84 and $167 (three and six month periods June 30, 2013 - $87 and $174) in interest on related party amounts.

Included in trade payables and other amounts at June 30, 2014 and December 31, 2013 are $272 and $4,228, respectively, due to GHIS; and $25 and $25, respectively for interest payable to Jamon.

Related party loans

The Company has a promissory note with Jamon for $5,000 that bears interest at 6% with a conversion feature which is due April 30, 2018. The conversion price for the note is $0.46 and the conversion of the note is at the option of the holder. 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 $0.46 per share which expires on April 30, 2018.

On September 3, 2012, the Company issued 1,000,000 restricted shares to the Company's CEO which vest over a four year period. On January 1, 2013, 200,000 of these restricted shares became freely tradeable and on January 1, 2014 the Company released an additional 200,000 shares which became freely tradeable.

15. Shareholders' Equity and Earnings per Share

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

	For the six month period ended June 30, 2014		For the year ended December 31, 2013	
Common shares	**Shares**	**Stated value $**	Shares	Stated value $
Balance, beginning of year	**133,363,294**	**99,081**	121,389,445	92,201
Issuance of shares as compensation	**200,000**	**216**	200,000	289
Shares released from escrow or issued from treasury for contingent consideration[5]	**260,830**	**105**	3,856,814	2,033
Shares released from escrow for compensation[6]	—	—	1,500,000	915
Shares issued to GHIS for the exercise of warrants (note 14)	**18,650,000**	**5,036**	—	—
Shares issued to GHIS for an amended consulting agreement	—	—	4,802,311	2,785
Stock options and restricted share units exercised	**599,414**	**197**	1,614,724	858
Balance, end of year	**153,073,538**	**104,635**	133,363,294	99,081

[5]Consists of 260,830 common shares issued from treasury for the settlement of earnouts for two physiotherapy clinics for the period ended June 30, 2014 and 2,973,611 common shares issued from escrow and 883,203 common shares issued from treasury for the year ended December 31, 2013.
[6]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.

Common shares related to contingent consideration held in escrow, as discussed in note 6, and restricted shares at June 30, 2014 are as follows:

Entity	**Escrowed and restricted shares**
BlueWater	6,153,846
London Scoping Centres	640,866
Motion Specialties	9,004,641
SmartShape	1,075,000
Other	458,117
Restricted compensation shares	600,000
Total	**17,932,470**

The continuity of restricted and escrowed shares for the six month period ended June 30, 2014 is as follows:

Escrowed and restricted shares	
Balance at beginning of the year	19,632,470
Canceled escrowed shares	(1,500,000)
Released restricted shares	(200,000)
Total	**17,932,470**

15. Shareholders' Equity and Earnings per Share - continued

On May 16, 2014, the Company canceled 1,500,000 escrowed shares associated with the acquisition of Performance Medical Group as certain earn-outs targets as specified in the share purchase agreement for this transaction were not achieved.

The total common shares in aggregate at June 30, 2014 are:

Type of common shares	
Freely tradeable	153,073,538
Escrowed and restricted	17,932,470
Total	**171,006,008**

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

	For the six month period ended June 30, 2014		For the year ended December 31, 2013	
Common share options	**Options**	**Weighted average exercise price**	Options	Weighted average exercise price
Balance, beginning of period	**8,806,000**	**$1.37**	11,224,500	$1.29
Options granted	**—**	**—**	770,000	0.80
Options exercised	**—**	**—**	(700,000)	0.35
Options expired	**(125,000)**	**0.31**	(275,000)	0.77
Options canceled /forfeited	**(1,010,000)**	**1.17**	(2,213,500)	1.19
Balance, end of period	**7,671,000**	**$1.41**	8,806,000	$1.37
Exercisable, end of period	**4,286,875**	**$1.41**	4,439,250	$1.37

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding as at June 30, 2014 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**
$0.39 - $0.50	520,000	0.43	4.4	—	—
$0.51 - $1.00	1,795,000	0.86	2.2	1,072,500	0.84
$1.01 - $1.50	800,000	1.03	0.4	800,000	1.03
$1.51 - $1.88	4,556,000	1.80	2.3	2,414,375	1.80
	7,671,000	**1.41**	**2.2**	**4,286,875**	**1.41**

15. Shareholders' Equity and Earnings per Share - continued

On June 25, 2014, the Company issued 1,436,513 restricted share units to management and employees which entitles the holders to 1,436,513 common shares of the Company. Of the restricted share units issued, 125,000 vest immediately, the remainder vest evenly over three years. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.41 per share. Of the restricted share units issued, 348,837 can be settled in cash or common shares of the Company at the option of the holder. The restricted share units which can be settled in cash or common shares of the Company have been treated as a liability award.

On June 30, 2014, the Company issued 1,335,000 restricted share units to directors, management and employees which entitles the holders to 1,335,000 common shares of the Company over the vesting period. These restricted share units have been fair-valued based on the quoted market price on the date of issuance of $0.40 per share and vest equally over three years.

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

	For the six month period ended June 30, 2014	For the year ended December 31, 2013
Restricted share units	**Units**	Units
Balance, beginning of period	**1,583,548**	610,000
Restricted share units granted	**2,771,513**	1,918,555
Restricted share units exercised	**(599,414)**	(914,724)
Restricted share units forfeited	**(180,801)**	(30,283)
Balance, end of period	**3,574,846**	1,583,548

The weighted-average remaining contractual life of restricted share units outstanding as at June 30, 2014 is 1.7 years.

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

	For the six month period ended June 30, 2014		For the year ended December 31, 2013	
Share purchase warrants	**Warrants**	**Weighted average exercise price**	Warrants	Weighted average exercise price
Balance, beginning of year	**33,177,310**	**$0.71**	28,576,590	$0.55
Warrants exercised	**(18,650,000)**	**0.33**	6,098,920	1.55
Warrants expired	**(1,850,000)**	**0.33**	(1,498,200)	1.09
Balance, end of period	**12,677,310**	**$1.31**	33,177,310	$0.71
Exercisable, end of year	**10,931,147**	**$1.26**	31,431,147	$0.65

15. Shareholders' Equity and Earnings per Share - continued

The weighted-average remaining contractual life and weighted-average exercise price of warrants outstanding as at June 30, 2014 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**
$0.46 - $1.78	**12,677,310**	**$1.31**	1.9	**10,931,147**	**$1.26**

Loss per share

Loss per share has been calculated on the basis of net loss for the period divided by the weighted average number of common shares outstanding during the period. Diluted loss 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. Loss per share is not adjusted for anti-dilutive instruments. The weighted average calculation is based on a time weighting factor that includes all share options, restricted share units, 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 six month periods ended June 30, 2014 and 2013.

	For the three month periods ended June 30,		**For the six month periods ended June 30,**	
	2014	2013	**2014**	2013
Basic weighted average shares outstanding	**140,457,508**	126,698,484	**137,010,401**	125,354,880
Dilutive effect of unvested shares	**888,291**	199,273	**764,222**	244,813
Dilutive effect of share options	**—**	232,000	**—**	274,122
Dilutive effect of warrants	**—**	7,571,288	**—**	8,009,529
Dilutive effect of convertible debt	**55,016,271**	49,172,347	**55,016,271**	49,172,347
Diluted shares outstanding	**196,362,070**	**183,873,392**	**192,790,894**	183,055,691

16. Financial Instruments and Fair Value Measurements

At June 30, 2014, the Company's financial instruments consisted of cash and cash equivalents, 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 derivative financial instruments with major Canadian chartered banks.

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

Recurring fair value measurements at June 30, 2014 are as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Contingent consideration	—	—	2,186	**2,186**
Derivative financial instruments	—	84	2,616	**2,700**
Loan redemption features	—	—	441	**441**
	—	**84**	**5,243**	**5,327**

Recurring fair value measurements at December 31, 2013 are as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Contingent consideration	—	—	1,624	**1,624**
Derivative financial instruments	—	120	1,720	**1,840**
	—	**120**	**3,344**	**3,464**

There were no non-recurring fair value measurements at June 30, 2014. There were no transfers between levels 1 and 2 during the three and six month periods ended June 30, 2014.

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 7 and for the derivative financial instruments related to derivative liability component of convertible debt in note 9.

There were no changes in the valuation techniques used during the three and six month periods ended June 30, 2014.

16. Financial Instruments and Fair Value Measurements - continued

The fair value of the second lien senior secured notes at June 30, 2014 is $173,876 and has a carrying value of $195,567. The fair value of the second lien senior secured notes was determined by using a discounted cash flow method with a risk-adjusted discount rate of 1.74%

The fair value of the convertible borrowings, excluding Jamon, a related party, at June 30, 2014 is $30,257 and has a carrying value of $38,918 (December 31, 2013 - $36,898). The fair value of the convertible borrowings was determined by using a discounted cash flow method with a risk-adjusted discount rates as outlined in note 9.

The fair value of the preferred partnership units at June 30, 2014 is estimated to be their current redemption value of $36,920 and has a carrying value of $35,525 (December 31, 2013 - $35,500).

The carrying value of financial assets and financial liabilities from continuing operations that are measured at cost or amortized cost, which is an approximation of the fair value for the following financial assets and financial liabilities:

	June 30, 2014	December 31, 2013
	$	$
Financial assets measured at cost or amortized cost		
Trade and other receivables	**33,631**	58,531
Loans receivable	**11,376**	184
Financial liabilities measured at cost or amortized cost		
Bank indebtedness	**663**	2,625
Trade payables and other amounts	**38,633**	62,599
Finance lease liability	**159**	265
Convertible borrowings - Jamon	**3,010**	2,826
Revolving Facility	**29,630**	22,741

17. Commitments

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

	June 30, 2014	December 31, 2013
	$	$
Less than one year	**8,725**	14,218
Between one and five years	**27,009**	41,668
More than five years	**11,357**	15,662
Total	**47,091**	71,548

Future minimum annual lease payments under operating leases for premises which are held for sale as at June 30, 2014 are $23,633.

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.

18. 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.

19. 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 three reportable operating segments, as discussed in note 1, referred to as: (i) Physiotherapy, Rehabilitation and Assessments; ii) Specialty Pharmacy; and (iii) Surgical and Medical Centres.

The Retail and Home Medical Equipment segment, excluding its orthotics operations, which was previously presented as a separate reporting segment, and the methadone pharmacy operations, which was previously presented as part of the Specialty Pharmacy segment, have been classified as held for sale at June 30, 2014 and are included as a part of discontinued operations for the three and six month periods ended June 30, 2014 as disclosed in note 20.

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, advisory fees and acquisition-related services provided by independent third parties have been reported in the Corporate reportable segment.

	As at and for the three month period ended June 30, 2014				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Revenue	45,734	23,792	9,534	—	**79,060**
Depreciation and amortization	4,014	1,476	681	152	**6,323**
Income (loss) before interest expense, income taxes and discontinued operations[7]	2,829	1,246	436	(6,953)	**(2,442)**
Interest expense	—	—	—	8,169	**8,169**
Capital expenditures	391	236	373	216	**1,216**
Goodwill	100,953	30,802	13,443	—	**145,198**
Total assets excluding assets of disposal group classified as held for sale	175,785	59,390	27,190	16,090	**278,455**
Total liabilities excluding liabilities of disposal group classified as held for sale	18,081	11,956	7,660	318,594	**356,291**

[7] Included in the income before interest expense, income taxes and discontinued operations for the Corporate segment are $664 of non-cash losses from the net increase in the fair value of the contingent consideration liability for the period, $646 in transaction and restructuring costs and $1,694 of non-cash losses from the change in fair value of derivative financial instruments.

	As at and for the six month period ended June 30, 2014				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Revenue	88,804	47,019	18,381	—	**154,204**
Depreciation and amortization	8,038	2,947	1,476	289	**12,750**
Income (loss) before interest expense, income taxes and discontinued operations[8]	4,801	2,644	554	(11,356)	**(3,357)**
Interest expense	—	—	—	16,440	**16,440**
Capital expenditures	964	714	827	316	**2,821**

[8] Included in the income before interest expense, income taxes and discontinued operations for the Corporate segment are $647 of non-cash losses from the net increase in the fair value of the contingent consideration liability for the period, $1,646 in transaction and restructuring costs, and $1,301 of non-cash losses from the change in fair value of derivative financial instruments.

19. Segmented Information - continued

	As at and for the three month period ended June 30, 2013					
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Assets/ Liabilities Held for Sale[10] $**	**Total $**
Revenue	42,957	22,164	7,542	—	—	**72,663**
Depreciation and amortization	4,370	1,497	677	122	—	**6,666**
Income (loss) before interest expense, income taxes and discontinued operations (restated - note 22)[9]	2,253	613	201	(8,181)	—	**(5,114)**
Interest expense	—	—	—	12,568	—	**12,568**
Capital expenditures	890	328	352	106	—	**1,676**
Goodwill	100,674	30,803	14,114	—	67,297	**212,888**
Total assets	189,261	62,522	31,832	16,244	177,999	**477,858**
Total liabilities	29,398	13,679	5,665	311,505	25,944	**386,191**

[9] Included in the income before interest expense, income taxes and discontinued operations for the Corporate segment is $48 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period, $1,419 in transaction and restructuring costs and $427 of non-cash losses from the change in fair value of derivative financial instruments.

[10] Included in Assets/Liabilities held for sale are goodwill of $67,297, of which $19,028 relates to the retail and home medical equipment operations and $nil relates to the methodone pharmacy operations. Of the $177,999 in total assets, $74,248 relates to the retail and home medical equipment operations and $8,579 relates to the methodone pharmacy operations. Included in total liabilities of $25,944 are $20,312 relating to the retail and home medical equipment operations and $1,130 relating to the methodone pharmacy operations.

	As at and for the six month period ended June 30, 2013				
	Physiotherapy, Rehabilitation and Assessments $	**Specialty Pharmacy $**	**Surgical and Medical Centres $**	**Corporate $**	**Total $**
Revenue	82,737	41,919	14,941	—	**139,597**
Depreciation and amortization	8,773	2,958	1,375	217	**13,323**
Income (loss) before interest expense, income taxes, and discontinued operations (restated - note 22)[11]	2,905	884	140	(2,130)	**1,799**
Interest expense	—	—	—	19,486	**19,486**
Capital expenditures	1,426	908	547	322	**3,203**

[11] Included in the income before interest expense, income taxes and discontinued operations for the Corporate segment is $6,993 of a non-cash gain from the net decrease in the fair value of the contingent consideration liability for the period, $1,722 in transaction and restructuring costs and $3,459 of non-cash gains from the change in fair value of derivative financial instruments.

20. Assets and Liabilities Held for Sale and Discontinued Operations

During the three month period ended June 30, 2014, the Company completed the sale of CAR and Active, entered into definitive agreements to sell the majority of its retail and home medical equipment operations and its methadone pharmacy operations and closed its surgical centre in Sarnia, Ontario. As a result of these transactions, the results from operations from these businesses have been presented as discontinued operations on the Company's Statement of Income. In addition, the assets and liabilities of the retail and home medical equipment operations and the methadone pharmacy operations have been presented as held for sale on the Company's Statement of Financial Position.

Methadone Pharmacy

On June 24, 2014, the Company announced that it had entered into a definitive agreement to sell the assets of its methadone pharmacy operations for gross proceeds of $20,000. This transaction also includes provisions to adjust to a normalized working capital as at the closing date of the transaction. The methadone pharmacy operations were part of the Company's pharmacy segment. The sale is subject to certain regulatory approvals as well as customary closing conditions. The Company expects this transaction to close immediately following receipt of all regulatory approvals, which are anticipated to be received in the third quarter of 2014.

Retail and Home Medical Equipment

On June 23, 2014, the Company announced that it had entered into a definitive agreement to sell the majority of its retail and home medical equipment segment for gross proceeds of $50,000. This transaction also includes provisions to adjust to a normalized working capital as at the closing date of the transaction. The sale is subject to certain regulatory approvals as well as customary closing conditions. The Company expects this transaction to close immediately following receipt of all regulatory approvals, which are anticipated to be received in the third quarter of 2014.

For the three month period ended June 30, 2014, the Company identified a triggering event with respect to the impairment of goodwill in the retail and home medical equipment CGU as a result of this sale. The Company compared the fair value less cost to sell of this CGU to its carrying value. Based on the valuation performed, the carrying value exceeded the fair value of the CGU by $4,300, which the Company has recorded as an impairment for the three and six month periods ended June 30, 2014. The valuation methodology utilized is considered within level 3 of the fair value hierarchy. As a result of this transaction, it was also determined that certain intangible assets under development related to computer software had a fair value of nil and as such an impairment of $1,123 was recorded for the three and six month periods ended June 30, 2014.

CAR

On May 8, 2014, the Company completed an agreement to sell 100% of the shares of CAR. The purchase price of $2,500 was satisfied through issuance of an eight-year note bearing interest at 7% per annum payable monthly. This transaction also includes provisions to adjust to a normalized working capital as at the closing date of the transaction. Any working capital adjustments are expected to be finalized in the third quarter of 2014. CAR was previously a part of the rehabilitation and wellness segment. Following the sale of CAR its assets and liabilities were removed from the Company's Statement of Financial Position. As a result of the sale, the Company has recognized a gain of $831.

20. Assets and Liabilities Held for Sale and Discontinued Operations - continued

Active Health Services Limited

On May 8, 2014, the Company completed an agreement to sell 100% of the shares of Active. The purchase price of $12,000 was satisfied through issuance of an eight-year note bearing interest at 7% per annum payable monthly. This transaction also includes provisions to adjust to a normalized working capital as at the closing date of the transaction. Any working capital adjustments are expected to be finalized in the third quarter of 2014. Active was previously a part of the rehabilitation and wellness segment. Following the sale of Active its assets and liabilities were removed from the Company's Statement of Financial Position. As a result of the sale, the Company has recognized a loss of $3,626.

For the three month period ended March 31, 2014, the Company identified a triggering event with respect to the impairment of goodwill in its Physiotherapy - Seniors Wellness CGU as a result of the sale of Active. The Company compared the fair value less cost to sell of this CGU to its carrying value. In order to determine the fair value, the Company used a discounted cash flow approach with a risk-adjusted weighted average cost of capital of 11.5%. Based on the valuation performed, the carrying value exceeded the fair value of the CGU by $13,835, which the Company has recorded as an impairment for the three month period ended March 31, 2014 and the six month period ended June 30, 2014. The valuation methodology utilized is considered within level 3 of the fair value hierarchy.

Sarnia Surgical Center

Effective April 30, 2014, the Company decided to cease the operations at its surgical location in Sarnia, Ontario, which was previously a part of the Surgical segment. For the three month period ended March 31, 2014, the Company identified a triggering event with respect to the impairment of goodwill in the Surgical - Eastern Canada CGU as a result of this closure. The Company assessed the recoverability of the assets associated with this facility and determined that the goodwill balance of $2,330 and the leasehold improvement balance of $329 would not be recoverable and resulted in the Company recording an impairment of these assets for the three month period ended March 31, 2014 and the six month period ended June 30, 2014. The valuation methodology utilized is considered within level 3 of the fair value hierarchy.

20. Assets and Liabilities Held for Sale and Discontinued Operations - continued

The assets and liabilities held for sale as at June 30, 2014 are as follows:

Assets held for sale

	June 30, 2014		
	Retail and Home Medical Equipment $	**Methadone Pharmacy $**	**Total $**
Current assets			
Trade and other receivables	22,135	912	**23,047**
Inventories	18,586	484	**19,070**
Prepaid expenses	333	51	**384**
	41,054	**1,447**	**42,501**
Non-current assets			
Property and equipment	6,002	1,046	**7,048**
Intangible assets	19,705	5,210	**24,915**
Goodwill	221	—	**221**
Loans receivable	114	—	**114**
Investments in franchisees	208	—	**208**
Total	**67,304**	**7,703**	**75,007**

Liabilities held for sale

	June 30, 2014		
	Retail and Home Medical Equipment $	**Methadone Pharmacy $**	**Total $**
Current liabilities			
Trade payables and other amounts	23,465	1,225	**24,690**
Current portion of finance lease liabilities	8	—	**8**
	23,473	**1,225**	**24,698**
Non-current liabilities			
Finance lease liabilities	14	—	**14**
Deferred lease incentives	401	—	**401**
Total	**23,888**	**1,225**	**25,113**

20. Assets and Liabilities Held for Sale and Discontinued Operations - continued

The cash flows from discontinued operations for the three and six month periods ended June 30, 2014 are as follows:

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Operating cash flows	**3,477**	**4,661**	**6,672**	2,313
Investing cash flows	**(424)**	**(589)**	**(886)**	(1,143)
Financing cash flows	**(18)**	**11**	**(38)**	(148)
Total Cash Flows	**3,035**	**4,083**	**5,748**	1,022

For the three and six month periods ended June 30, 2014, capital expenditures for discontinued operations were $450 and $956 (three and six month periods ended June 30, 2013 - $675 and $1,293).

The results from discontinued operations, including the results recognized on the re-measurement of assets, for the three and six month periods ended June 30, 2014 and 2013 are as follows:

	For the three month period ended June 30, 2014					
	Retail and Home Medical Equipment $	**Methadone Pharmacy $**	**Active $**	**CAR $**	**Sarnia $**	**Total $**
Revenues	27,054	4,759	1,999	611	123	**34,546**
Expenses	28,401	4,042	5,560	(403)	425	**38,025**
Depreciation	1,519	258	43	2	37	**1,859**
(Loss) income before income taxes from discontinued operations	(2,866)	459	(3,604)	1,012	(339)	**(5,338)**
Impairments	5,423	—	—	—	—	**5,423**
Income tax (recovery) expense	(202)	(41)	(29)	103	(1,524)	**(1,693)**
(Loss) income from discontinued operations	**(8,087)**	**500**	**(3,575)**	**909**	**1,185**	**(9,068)**

20. Assets and Liabilities Held for Sale and Discontinued Operations - continued

	For the three month period ended June 30, 2013					
	Retail and Home Medical Equipment $	**Methadone Pharmacy $**	**Active $**	**CAR $**	**Sarnia $**	**Total $**
Revenues	28,976	4,472	14,535	1,163	375	**49,521**
Expenses	29,746	3,738	10,794	997	620	**45,895**
Depreciation	1,695	273	207	3	34	**2,212**
(Loss) income before income taxes from discontinued operations	(2,465)	461	3,534	163	(279)	**1,414**
Impairments	—	—	—	—	—	**—**
Income tax (recovery) expense	(503)	349	811	44	(70)	**631**
(Loss) income from discontinued operations	**(1,962)**	**112**	**2,723**	**119**	**(209)**	**783**

	For the six month period ended June 30, 2014					
	Retail and Home Medical Equipment $	**Methadone Pharmacy $**	**Active $**	**CAR $**	**Sarnia $**	**Total $**
Revenues	51,408	9,143	6,830	1,940	407	**69,728**
Expenses	53,923	7,746	10,161	698	959	**73,487**
Depreciation	3,021	532	148	5	82	**3,788**
(Loss) income before income taxes from discontinued operations	(5,536)	865	(3,479)	1,237	(634)	**(7,547)**
Impairments	5,423	—	13,835	—	2,659	**21,917**
Income tax (recovery) expense	(649)	100	(811)	160	—	**(1,200)**
(Loss) income from discontinued operations	**(10,310)**	**765**	**(16,503)**	**1,077**	**(3,293)**	**(28,264)**

	For the six month period ended June 30, 2013					
	Retail and Home Medical Equipment $	**Methadone Pharmacy $**	**Active $**	**CAR $**	**Sarnia $**	**Total $**
Revenues	56,792	8,750	27,490	2,216	620	**95,868**
Expenses	57,990	7,394	20,899	1,949	1,218	**89,450**
Depreciation	3,085	547	412	7	65	**4,116**
(Loss) income before income taxes from discontinued operations	(4,283)	809	6,179	260	(663)	**2,302**
Impairments	—	—	—	—	—	**—**
Income tax (recovery) expense	(977)	239	1,465	69	(164)	**632**
(Loss) income from discontinued operations	**(3,306)**	**570**	**4,714**	**191**	**(499)**	**1,670**

21. Supplementary Disclosure to the Consolidated Statements of Cash Flows

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

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2014	2013 (Restated - note 22)	**2014**	2013 (Restated - note 22)
	$	**$**	**$**	**$**
Trade and other receivables	**(4,225)**	(1,423)	**(3,338)**	(7,175)
Inventories	**1,517**	2,135	**509**	2,218
Prepaid expenses	**60**	168	**(162)**	(190)
Trade payables and other amounts	**5,449**	(2,778)	**6,593**	(4,246)
	2,801	(1,898)	**3,602**	(9,393)

22. Comparative Figures

As part of the year end financial statement close process for the year ended December 31, 2013, the Company's Motion Specialties operations performed an inventory count and valuation. Upon the completion of the inventory count and inventory valuation, an adjustment of $2,185 ($1,606 net of income taxes) and $4,100 ($3,014 net of income taxes) were recorded for the three and six month periods ended June 30, 2014 which reduced inventory and increased cost of healthcare services and supplies. These adjustments decreased basic and diluted EPS for the three and six month periods ended June 30, 2013 to $(0.11) and $(0.09) per share from $(0.10) and $(0.06) per share which was previously reported.

For the three and six month periods ended June 30, 2014, the Company has amended its tracking and presentation of labour costs. The tracking and presentation has been updated as part of the Company's implementation of a new budgeting process in 2014 which enhances the tracking of direct and indirect labour costs. As a result, the Company has re-classified certain balances for the three and six month periods ended June 30, 2013 in order to conform with the presentation in the current year. These reclassifications results in a decrease to employee costs and an increase of cost of healthcare services of $10,976 and $20,864 for the three and six month periods ended June 30, 2013 for both continuing and discontinued operations.

23. Subsequent Events

In August 2014, as a result of the pending divestiture of certain non-core operations and subject to the completion of these divestitures, the Company received a waiver from a financial performance covenant at the September 30, 2014 measurement date and amendments to certain financial performance covenants for the remaining measurement dates up to the maturity of the Revolving Facility in June 2015. In addition, included in the amendments to the Revolving Facility agreement, any future acquisitions greater than $2 million made by the Company will require the approval of the syndicate of lenders.