Consolidated Financial Statements of

MEDICAL FACILITIES CORPORATION

December 31, 2014 and 2013
(In U.S. dollars)

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Management’s Responsibility for Financial Reporting

The accompanying consolidated financial statements of Medical Facilities Corporation (the “Corporation”) are the responsibility of management and have been approved by the Board of Directors of the Corporation. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and, where appropriate, reflect management’s best estimates and judgments.

The Corporation maintains appropriate systems of internal control, policies and procedures, which provide management with reasonable assurance that assets are safeguarded from loss or unauthorized use and financial records are reliable and form a proper basis for the preparation of the consolidated financial statements.

The Board of Directors of the Corporation ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. The Board of Directors appoints the Audit Committee, all members of which are independent members of the Board of Directors. The Audit Committee meets periodically with management and the Corporation’s auditors to discuss the results of the audit, the adequacy of internal accounting controls and financial reporting matters. On the recommendation of the Audit Committee, the consolidated financial statements are forwarded to the Board of Directors for their approval.

KPMG LLP, an independent firm of Chartered Professional Accountants, has been appointed by the shareholders to express an independent professional opinion on the fairness of the consolidated financial statements. The consolidated financial statements have been audited by KPMG LLP in accordance with Canadian generally accepted auditing standards. Their report which follows expresses their opinion on the consolidated financial statements of the Corporation.

“Donald Schellpfeffer”

Donald A. Schellpfeffer, MD
Chief Executive Officer

“Michael Salter”

Michael Salter, CA, CPA
Chief Financial Officer

Toronto, Canada
March 18, 2015

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Independent Auditors' Report

To the Shareholders of Medical Facilities Corporation:

We have audited the accompanying consolidated financial statements of Medical Facilities Corporation, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Medical Facilities Corporation as at December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
March 18, 2015

Toronto, Canada

MEDICAL FACILITIES CORPORATION

Consolidated Balance Sheets
(In thousands of U.S. dollars)

	Note	December 31, 2014 $	2013 (Note 20) $
ASSETS			
Current assets			
Cash and cash equivalents		41,309	35,872
Short-term investments		9,305	9,065
Accounts receivable	10.5.2	46,994	50,332
Supply inventory		5,841	5,527
Prepaid expenses and other		3,450	4,046
Income tax receivable	13	-	1,118
Total current assets		**106,899**	**105,960**
Non-current assets			
Long-term investments		3,559	3,807
Deferred income tax assets	13	38,168	51,054
Property and equipment	3	66,517	68,200
Goodwill	4.1	105,189	105,189
Other intangibles	4.2	88,604	104,622
Other assets	16.2	773	421
Total non-current assets		**302,810**	**333,293**
TOTAL ASSETS		**409,709**	**439,253**
LIABILITIES AND EQUITY			
Current liabilities			
Dividends payable		2,532	2,765
Accounts payables		15,192	14,965
Accrued liabilities		17,026	17,033
Income tax payable	13	151	-
Foreign exchange forward contracts	10.1	3,627	1,830
Current portion of long-term debt	5	6,438	24,544
Total current liabilities		**44,966**	**61,137**
Non-current liabilities			
Long-term debt	5	33,799	17,875
Foreign exchange forward contracts	10.1	-	979
Convertible debentures	6	38,000	41,266
Exchangeable interest liability	10.2	92,864	105,841
Total non-current liabilities		**164,663**	**165,961**
Total liabilities		**209,629**	**227,098**
Equity			
Share capital	7.1	400,467	401,033
Deficit		(252,110)	(243,594)
Equity attributable to owners of the Corporation		148,357	157,439
Non-controlling interest	8	51,723	54,716
Total equity		**200,080**	**212,155**
Commitments and contingencies	17		
TOTAL LIABILITIES AND EQUITY		**409,709**	**439,253**

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

On behalf of the Board:

Seymour Temkin

Marilynne Day-Linton

MEDICAL FACILITIES CORPORATION

Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars)

		Attributable to Owners of the Corporation			Non-controlling Interest	Total Equity
	Note	Share Capital $	Deficit $	Total $	$	$
2014						
Balance at January 1, 2014		401,033	(243,594)	157,439	54,716	212,155
Net income for the year	8	-	23,308	23,308	31,673	54,981
Dividends to owners of the Corporation		-	(31,824)	(31,824)	-	(31,824)
Distributions to non-controlling interest	8	-	-	-	(34,666)	(34,666)
Acquisition of additional interest in Dakota Plains Surgical Center, LLP		293	-	293	-	293
Conversion of convertible debentures into common shares	6.2	13		13	-	13
Purchase of common shares under normal course issuer bids	7.3	(872)	-	(872)	-	(872)
Balance at December 31, 2014		**400,467**	**(252,110)**	**148,357**	**51,723**	**200,080**
2013 (Note 20)						
Balance at January 1, 2013		361,936	(226,804)	135,132	55,092	190,224
Net income for the year	8	-	11,020	11,020	33,589	44,609
Dividends to owners of the Corporation		-	(33,235)	(33,235)	-	(33,235)
Distributions to non-controlling interest	8	-	-	-	(36,134)	(36,134)
Acquisition of additional interest in Oklahoma Spine Hospital, LLC		299	-	299	-	299
Equity contribution by non-controlling interests to Black Hills Surgical Hospital, LLP		-	-	-	769	769
Equity contribution by non-controlling interests to Sioux Falls Specialty Hospital, LLP		-	-	-	1,400	1,400
Conversion of convertible debentures into common shares	6.1	40,013	5,425	45,438	-	45,438
Purchase of common shares under normal course issuer bids	7.3	(1,215)	-	(1,215)	-	(1,215)
Balance at December 31, 2013		**401,033**	**(243,594)**	**157,439**	**54,716**	**212,155**

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

MEDICAL FACILITIES CORPORATION

Consolidated Statements of Comprehensive Income
(In thousands of U.S. dollars, except per share amounts)

	Note	Years Ended December 31, 2014 $	2013 (Note 20) $
Facility service revenue		**311,834**	**309,162**
Operating expenses			
Salaries and benefits		81,291	79,947
Drugs and supplies		87,483	86,425
General and administrative		45,826	42,921
Depreciation of property and equipment	3	9,980	9,465
Amortization of other intangibles	4.2	16,018	17,128
		240,598	**235,886**
Income from operations		**71,236**	**73,276**
Finance costs			
Increase (decrease) in value of convertible debentures	6	(3,253)	306
Increase (decrease) in value of exchangeable interest liability	10.2	(12,684)	20,414
Interest expense on exchangeable interest liability	10.2	8,603	9,006
Interest expense, net of interest income	14	3,683	4,742
Loss on foreign currency	15	5,091	5,561
		1,440	**40,029**
Income before income taxes		**69,796**	**33,247**
Income tax expense (recovery)	13	14,815	(11,362)
Net income for the year		**54,981**	**44,609**
Attributable to:			
Owners of the Corporation		23,308	11,020
Non-controlling interest	8	31,673	33,589
		54,981	**44,609**
Basic earnings per share attributable to owners of the Corporation	7.2	**$ 0.744**	**$ 0.362**
Fully diluted earnings per share attributable to owners of the Corporation	7.2	**$ 0.560**	**$ 0.362**

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

MEDICAL FACILITIES CORPORATION

Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

	Note	Years Ended December 31, 2014 $	2013 (Note 20) $
Cash flows from operating activities			
Net income for the year		54,981	44,609
Adjustments for:			
Depreciation of property and equipment	3	9,980	9,465
Amortization of other intangibles	4.2	16,018	17,128
Share of equity income in an associate	16.2	(128)	(194)
Increase (decrease) in value of convertible debentures	6	(3,253)	306
Increase (decrease) in value of exchangeable interest liability	10.2	(12,684)	20,414
Interest expense, net of interest income, including interest expense on exchangeable interest liability		12,286	13,748
Loss on foreign currency	15	5,091	5,561
Deferred income tax expense (recovery)	13	12,886	(13,291)
Current income tax expense	13	1,929	1,929
		97,106	99,675
Changes in non-cash operating working capital	9	3,840	(3,308)
		100,946	96,367
Interest paid		(12,278)	(14,353)
Income and withholding taxes received (paid)		(668)	3,888
Net cash provided by operating activities		**88,000**	**85,902**
Cash flows from investing activities			
Purchase of property and equipment, net of disposals	3	(8,297)	(13,325)
Investment in Black Hills Surgical Physicians, LLC	16.2	(341)	-
Net redemption of (investment in) short-term investments		(240)	2,219
Net redemption of (investment in) long-term investments		248	(3,807)
Net cash used in investing activities		**(8,630)**	**(14,913)**
Cash flows from financing activities			
Proceeds from (repayments of) revolving credit facilities at the Centers	4.3	2,060	(925)
Proceeds from (repayments of) notes payable and obligations under lease arrangements at the Centers	4.3	(4,242)	1,700
Distributions, return of capital and loan receivable from an associate	16.2	117	62
Distributions to non-controlling interest	8	(34,666)	(36,134)
Dividends paid		(32,057)	(33,139)
Equity contribution by non-controlling interest to Black Hills Surgical Hospital, LLP		-	769
Equity contribution by non-controlling interest to Sioux Falls Specialty Hospital, LLP		-	1,400
Redemption of convertible debentures	6.1	-	(1,765)
Purchase of common shares under the terms of normal course issuer bids	7.3	(872)	(1,215)
Net cash used in financing activities		**(69,660)**	**(69,247)**
Increase in cash and cash equivalents		**9,710**	**1,742**
Effect of exchange rate fluctuations on cash balances held	15	(4,273)	(1,246)
Cash and cash equivalents, beginning of the year		35,872	35,376
Cash and cash equivalents, end of the year		**41,309**	**35,872**
Non-cash transactions:			
Acquisition of additional interest in Dakota Plains Surgical Center, LLP		293	-
Acquisition of additional interest in Oklahoma Spine Hospital, LLC		-	299
Conversion of convertible debentures into common shares	6.1	-	45,438

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

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

1. REPORTING ENTITY

Medical Facilities Corporation (the "Corporation") is a British Columbia corporation. The address of the Corporation's head office is 45 St. Clair Avenue West, Suite 200, Toronto, Ontario, Canada. The common shares of the Corporation are listed on the Toronto Stock Exchange under the ticker symbol "DR".

The Corporation's operations are based in the United States. Through its wholly-owned U.S.-based subsidiaries, the Corporation owns controlling interests in six limited liability entities (the "Centers"), each of which owns a specialty hospital or an ambulatory surgery center located in the United States. The Centers, their locations and the Corporation's ownership interest in each are as follows:

		Ownership Interest December 31,	
Centers	**Location**	**2014**	**2013**
Black Hills Surgical Hospital, LLP ("BHSH")	Rapid City, South Dakota	54.2%	54.2%
Dakota Plains Surgical Center, LLP ("DPSC")	Aberdeen, South Dakota	65.0%	64.6%
Sioux Falls Specialty Hospital, LLP ("SFSH")	Sioux Falls, South Dakota	51.0%	51.0%
Oklahoma Spine Hospital, LLC ("OSH")	Oklahoma City, Oklahoma	58.8%	58.8%
Arkansas Surgical Hospital, L.L.C. ("ASH")	North Little Rock, Arkansas	51.0%	51.0%
The Surgery Center of Newport Coast, LLC ("SCNC")	Newport Beach, California	51.0%	51.0%

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Corporation's significant accounting policies are presented in note 18 to these consolidated financial statements.

These consolidated financial statements were approved by the Corporation's Board of Directors on March 18, 2015.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

3. PROPERTY AND EQUIPMENT

	Land and Improvements	Construction in Progress	Building and Improvements	Equipment and Furniture	Total
	$	$	$	$	$
Cost					
Balance at January 1, 2013	4,408	2,586	59,779	38,779	105,552
Additions	735	431	2,707	9,553	13,426
Reclassifications	-	(2,951)	-	2,951	-
Disposals	-	(27)	(1)	(1,775)	(1,803)
Balance at December 31, 2013	5,143	39	62,485	49,508	117,175
Additions	279	3,378	971	3,672	8,300
Reclassifications	-	(856)	640	216	-
Disposals	-	-	-	(814)	(814)
Balance at December 31, 2014	**5,422**	**2,561**	**64,096**	**52,582**	**124,661**
Accumulated Depreciation					
Balance at January 1, 2013	(17)	-	(16,770)	(24,425)	(41,212)
Charged for the year	(23)	-	(3,497)	(5,945)	(9,465)
Disposals	-	-	-	1,702	1,702
Balance at December 31, 2013	(40)	-	(20,267)	(28,668)	(48,975)
Charged for the year	(25)	-	(4,810)	(5,145)	(9,980)
Disposals	-	-	-	811	811
Balance at December 31, 2014	**(65)**	**-**	**(25,077)**	**(33,002)**	**(58,144)**
Carrying Amounts					
At December 31, 2013	5,103	39	42,218	20,840	68,200
At December 31, 2014	**5,357**	**2,561**	**39,019**	**19,580**	**66,517**

Included in the equipment and furniture for the years 2014 and 2013 is certain equipment under long-term lease agreements as follows:

	2014 $	2013 $
Equipment	8,909	8,646
Less accumulated depreciation	(4,714)	(3,258)
Total	**4,195**	**5,388**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

4. GOODWILL AND OTHER INTANGIBLES

4.1 Goodwill

The carrying amount of goodwill as at December 31, 2014 and December 31, 2013 was $105,189 (see note 20).

4.2 Other intangibles

	Hospital Operating Licenses	Medical Charts and Records	Referral Sources	Trade Names	Total
	$	**$**	**$**	**$**	**$**
Cost					
Balance at January 1, 2013	1,714	7,981	206,127	9,826	225,648
Balance at December 31, 2013	1,714	7,981	206,127	9,826	225,648
Balance at December 31, 2014	**1,714**	**7,981**	**206,127**	**9,826**	**225,648**
Accumulated Amortization					
Balance at January 1, 2013	(731)	(6,998)	(96,169)	-	(103,898)
Amortization charges	(200)	(200)	(16,728)	-	(17,128)
Balance at December 31, 2013	(931)	(7,198)	(112,897)	-	(121,026)
Amortization charges	(200)	(200)	(15,618)	-	(16,018)
Balance at December 31, 2014	**(1,131)**	**(7,398)**	**(128,515)**	**-**	**(137,044)**
Carrying Amounts					
At December 31, 2013	783	783	93,230	9,826	104,622
At December 31, 2014	**583**	**583**	**77,612**	**9,826**	**88,604**
Amortization period (years)	5	5-10	10-15	N/A (indefinite life)	

4.3 Impairment

The Corporation performed its annual impairment tests for goodwill and other intangibles with indefinite lives as at December 31, 2014 and December 31, 2013 and determined that there was no impairment.

The Corporation identified six cash generating units (“CGUs”) for which impairment testing was performed. Management calculated the fair value less cost to dispose using the business enterprise fair value approach to estimate the recoverable amounts of the CGUs. Management has estimated cost to dispose to be 1% of the fair value of the CGUs, based on recent market data.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

4. GOODWILL AND OTHER INTANGIBLES (Continued)

Management calculates the enterprise value ("EV") of the Corporation as at December 31 based on (i) the market capitalization of the outstanding common shares, taking into account a 20% equity control premium attributable to the common shares, (ii) the fair value of convertible debentures outstanding, and (iii) the Corporation's portion of the Centers' long-term debt, less (iv) cash on hand. Management then determines the multiple of EV to consolidated earnings before income taxes, depreciation and amortization ("EBITDA"), which is allocated to the CGUs based on their relative contribution to the consolidated EBITDA and risk and return.

For the December 31, 2014 impairment test, EV to EBITDA multiples of 9.7 to 10.7 (2013: 10.9 to 12.2) were determined to be appropriate based on the factors specific to each CGU and a comparison to market information available at the time of the test.

5. LONG-TERM DEBT

	December 31,					
	2014				2013	
	Authorized	Balance	Effective Interest Rate	Maturity	Balance	Effective Interest Rate
	$	$	%		$	%
Revolving credit facilities						
BHSH	6,000	-	3.0	2016	-	3.0
DPSC	2,000	-	3.3	2015	-	3.3
SFSH	7,000	-	1.9	2015	-	2.2
OSH	6,350	4,400	2.7	2016	4,508	3.0
ASH	4,000	1,000	3.0	2015	-	3.0
SCNC	2,500	-	3.5	2016	-	3.5
	27,850	**5,400**			**4,508**	
Notes payable						
BHSH	12,086	12,086	3.5	2015 – 2019	12,763	4.7
DPSC	3,116	3,116	4.5	2020	3,246	4.5
SFSH	16,497	16,497	2.9	2016 – 2019	16,085	4.0
OSH	-	-	-	-	1,128	3.0
ASH	-	-	-	-	697	3.8
	31,699	**31,699**			**33,919**	
Capital leases						
SFSH	-	2,464	2.7	2016 – 2019	3,377	2.9
ASH	-	674	5.6	2015 – 2019	615	5.4
		3,138			**3,992**	
		40,237			**42,419**	
Less current portion		(6,438)			(24,544)	
		33,799			**17,875**	

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

5. LONG-TERM DEBT (Continued)

Each credit facility is secured by an interest in all property and a mortgage on real property owned by the respective Center. These credit facilities contain certain restrictive financial and non-financial covenants. As of the reporting date, the Corporation was in compliance with its covenants.

The following are the future maturities of long-term debt, including capital leases, for the years ending December 31:

	$
2015	6,438
2016	7,260
2017	2,192
2018	4,874
2019	17,100
2020 and thereafter	2,373
Future maturities of long-term debt	**40,237**

6. CONVERTIBLE DEBENTURES

6.1 7.5% convertible secured debentures

On April 30, 2013, the Corporation's 7.5% convertible secured debentures ("7.5% debentures") matured and the remaining outstanding principal amount of Cdn$1,778 (US$1,765) was redeemed by the Corporation for cash. The following table represents changes in the 7.5% debentures for the year 2013:

	$
Balance at January 1, 2013	45,729
Increase in fair value of 7.5% debentures at market price	1,474
Conversion of 7.5% debentures into common shares	(45,438)
Redemption of unconverted 7.5% debentures	(1,765)
Balance at December 31, 2013	**-**

6.2 5.9% convertible unsecured subordinated debentures

On December 21, 2012, the Corporation issued, in a public offering, Cdn$41,800 (US$42,042) aggregate principal amount of 5.9% convertible unsecured subordinated debentures ("5.9% debentures"). The 5.9% debentures pay interest semi-annually in arrears on June 30 and December 31 of each year, mature on December 31, 2019 ("Maturity Date"), and are convertible into 52.3286 common shares per Cdn$1,000 principal amount of 5.9% debentures at the option of the holder, representing a conversion price of Cdn$19.11 per common share ("Conversion Price"). If the holders of the 5.9% debentures do not exercise the right to convert their holdings into the Corporation's common shares prior to the Maturity Date, the principal amount is due and payable in full. The 5.9% debentures are subordinate to all other existing and future senior unsecured indebtedness of the Corporation.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

6. CONVERTIBLE DEBENTURES (Continued)

The 5.9% debentures contain a provision whereby, in connection with a change of control transaction, holders of the 5.9% debentures would be entitled to convert their debentures within a specified time period and would receive, in addition to the number of shares on conversion, additional shares calculated as a function of the change of control offer price and time remaining to maturity.

The 5.9% debentures may not be redeemed by the Corporation on or before December 31, 2015 (except in the case of a change of control as defined in the trust indenture governing the terms of the 5.9% debentures). Thereafter, but prior to December 31, 2017, the 5.9% debentures may be redeemed by the Corporation, in whole or in part from time to time, at a redemption price equal to the principal amount plus accrued and unpaid interest up to but excluding the redemption date, provided that the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is at least 125% of the Conversion Price. On or after December 31, 2017 but prior to the Maturity Date, the 5.9% debentures may be redeemed in whole or in part from time to time at the option of the Corporation, at a redemption price equal to the principal amount plus accrued and unpaid interest up to but excluding the redemption date.

The following table represents changes in the 5.9% debentures for the years 2014 and 2013:

	$
Balance at January 1, 2013	42,434
Decrease in fair value of 5.9% debentures at market price	(1,168)
Balance at December 31, 2013	41,266
Conversion of 5.9% debentures into common shares	(13)
Decrease in fair value of 5.9% debentures at market price	(3,253)
Balance at December 31, 2014	**38,000**

In December 2014, the Corporation received regulatory approval for a normal course issuer bid under which the Corporation may purchase up to Cdn$522,325 aggregate principal amount of its outstanding 5.9% debentures during the period from December 30, 2014 to December 29, 2015.

Under the previous normal course issuer bid, which was in effect from December 30, 2013 to December 29, 2014, the Corporation did not repurchase any of its outstanding 5.9% debentures.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

7. SHARE CAPITAL

7.1 Share capital

The following table represents changes in the number and value of common shares issued and outstanding for the years 2014 and 2013:

	Number of Common Shares	$
Balance at January 1, 2013	28,314,717	361,936
Common shares issued for acquisition of additional interest in OSH	19,853	299
Common shares issued on exchange of convertible debentures	3,115,480	40,013
Common shares purchased and cancelled under the terms of normal course issuer bids (note 7.3)	(83,300)	(1,215)
Balance at December 31, 2013	31,366,750	401,033
Common shares issued for acquisition of additional interest in DPSC	17,716	293
Common shares issued on exchange of convertible debentures	732	13
Common shares purchased and cancelled under the terms of normal course issuer bids (note 7.3)	(55,600)	(872)
Balance at December 31, 2014	**31,329,598**	**400,467**

7.2 Earnings per share

Basic earnings per share attributable to owners of the Corporation are calculated as follows:

	2014	2013
Net income for the year attributable to owners of the Corporation	$ 23,308	$ 11,020
Divided by weighted average number of common shares outstanding for the period	31,344,891	30,474,446
Basic earnings per share attributable to owners of the Corporation	**$ 0.744**	**$ 0.362**

For 2014, fully diluted earnings per share are calculated as follows:

		2014
Net income for the year attributable to owners of the Corporation	$	23,308
Decrease in value of convertible debentures	$	(3,253)
Interest expense on convertible debentures (tax effected)	$	1,644
Decrease in value of exchangeable interest liability (tax effected)	$	(8,118)
Interest expense on exchangeable interest liability	$	8,603
Modified net income for the year attributable to owners of the Corporation	$	22,184
Divided by:		
Weighted average number of common shares outstanding for the period		31,344,891
Weighted average number of common shares deemed to be issued on the conversion of the outstanding convertible debentures		2,186,969
Weighted average number of common shares deemed to be issued on the exchange of the outstanding exchangeable interest liability		6,063,384
Weighted average number of common shares		39,595,244
Fully diluted earnings per share	**$**	**0.560**

For 2013, issuance of common shares upon conversion of the outstanding convertible debentures and exchange of the outstanding exchangeable interest liability would have been anti-dilutive and, therefore, the calculation of fully diluted earnings per share is not presented.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

7. SHARE CAPITAL (Continued)

7.3 Normal course issuer bids

Pursuant to the terms of the Corporation's normal course issuer bids, in 2013, the Corporation purchased 83,300 of its common shares for a total consideration of $1,215, recorded in share capital (note 7.1). In 2014, the Corporation purchased 55,600 of its common shares for a total consideration of $872, recorded in share capital (note 7.1). All common shares acquired under these bids were cancelled.

8. NON-CONTROLLING INTEREST

The following tables summarize financial information in respect of each of the Centers that has material non-controlling interest. The summarized financial information below represents amounts before intra-group eliminations.

December 31, 2014	BHSH $	DPSC $	SFSH $	OSH $	ASH $	SCNC $
Non-controlling percentage	**35%**	**35%**	**35%**	**35%**	**44%**	**49%**
Current assets	15,457	4,930	21,981	16,783	9,059	3,376
Non-current assets	23,203	3,860	25,362	4,884	7,501	1,004
Current liabilities	13,096	1,954	13,001	10,779	7,571	283
Non-current liabilities	8,868	2,981	17,036	11,122	2,781	-
Equity attributable to owners of the Corporation	10,852	2,506	11,190	6,854	3,477	2,089
Non-controlling interest	5,844	1,349	6,025	3,691	2,732	2,008
Facility service revenue	76,687	14,452	88,118	63,913	60,450	8,214
Operating expenses	53,577	9,258	51,988	52,244	46,061	6,043
Net income attributable to owners of the Corporation	14,652	3,282	23,043	7,474	8,161	1,107
Net income attributable to non-controlling interests	7,889	1,767	12,408	4,025	6,412	1,064
Net income	**22,541**	**5,049**	**35,451**	**11,499**	**14,573**	**2,171**
Distributions to non-controlling interests	7,735	2,462	11,823	4,553	6,975	1,120
Cash flows from operating activities	25,602	6,529	38,529	14,211	17,406	2,580
Cash flows from investing activities	(1,926)	(62)	(2,742)	(332)	(2,728)	(34)
Cash flows from financing activities[(1)]	(22,776)	(7,137)	(34,282)	(14,243)	(14,275)	(2,285)
Net cash inflow (outflow)	**900**	**(670)**	**1,505**	**(364)**	**403**	**261**

Note 1: Cash flows from financing activities include distributions paid to the Corporation and non-controlling interest.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

8. NON-CONTROLLING INTEREST (Continued)

December 31, 2013	BHSH $	DPSC $	SFSH $	OSH $	ASH $	SCNC $
Non-controlling percentage	**35%**	**35%**	**35%**	**35%**	**44%**	**49%**
Current assets	13,542	6,189	20,456	19,805	9,333	3,350
Non-current assets	24,672	4,204	25,776	5,603	5,913	1,177
Current liabilities	10,630	1,194	27,751	12,323	7,118	315
Non-current liabilities	10,623	3,114	3,037	1,030	414	-
Equity attributable to owners of the Corporation	12,544	3,957	13,679	7,835	4,320	2,148
Non-controlling interest	6,754	2,131	7,366	4,219	3,394	2,064
Facility service revenue	69,345	16,002	89,304	66,703	58,602	9,206
Operating expenses	50,470	8,777	51,052	51,260	45,822	5,656
Net income attributable to owners of the Corporation	11,547	4,598	24,374	9,928	7,305	1,810
Net income attributable to non-controlling interests	6,218	2,476	13,125	5,346	5,740	1,740
Net income	**17,765**	**7,074**	**37,499**	**15,274**	**13,045**	**3,550**
Distributions to non- controlling interests	6,647	1,660	13,861	5,013	7,227	1,726
Cash flows from operating activities	21,192	7,318	38,663	15,894	15,689	3,299
Cash flows from investing activities	(5,109)	(516)	(1,808)	(2,120)	(865)	(227)
Cash flows from financing activities(1)	(15,846)	(4,869)	(38,983)	(13,784)	(14,354)	(3,520)
Net cash inflow (outflow)	**237**	**1,933**	**(2,128)**	**(10)**	**470**	**(448)**

Note 1: Cash flows from financing activities include distributions paid to the Corporation and non-controlling interest.

8.1 Significant restrictions

The partnership or operating agreements governing each of the respective Centers (each, a "Partnership Agreement") do not permit the Corporation to access the assets of the Centers to settle the liabilities of other subsidiaries of the Corporation, and the Centers have no obligation to (and could not, without the approval of the holders of the non-controlling interest) take any steps to settle the liabilities of the Corporation or its other subsidiaries. The Corporation's rights in respect of each Center are limited to representation on the management committee and approval rights over certain fundamental decisions. The Partnership Agreements require that each Center distribute its available cash to the maximum extent possible, subject to applicable law and compliance with their existing credit facilities, by way of monthly distributions on its partnership interests or other distributions on its securities, after (i) satisfying its debt service obligations under its credit facilities or any other agreements with third parties, (ii) satisfying its other expense obligations, including withholding and other applicable taxes, and (iii) retaining reasonable working capital or other reserves, including amounts on account of capital expenditures and such other amounts as may be considered appropriate by its management committee.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

9. NET CHANGES IN NON-CASH WORKING CAPITAL

The following table summarize net changes in non-cash working capital for the years 2014 and 2013:

	2014 $	2013 $
Accounts receivable	3,338	(3,457)
Supply inventory	(314)	127
Prepaid expenses and other	596	3
Accounts payable	227	221
Accrued liabilities	(7)	(202)
Total net changes in non-cash working capital	**3,840**	**(3,308)**

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

10.1 Foreign exchange forward contracts

At December 31, 2014, the Corporation held foreign exchange forward contracts with one financial institution under which the Corporation sells U.S. dollars each month for a fixed amount of Canadian dollars on the following terms:

Contract Dates	US$ to be Delivered	Cdn$ to be Received	Cdn$ per US$ (weighted average)
Jan 2015 – Dec 2015	**37,158**	**39,048**	1.0509

As of December 31, 2014, the fair value of the outstanding contracts was a liability of $3,627 (December 31, 2013: a liability of $2,809), which has been recognized in the Corporation's consolidated financial statements.

10.2 Exchangeable interest liability

Concurrent with the acquisition of its interests in five of the Centers, the Corporation entered into exchange agreements with the vendors who originally retained a 49% non-controlling interest in these Centers. Pursuant to the terms of these exchange agreements, the non-controlling interest holders in each of the Centers received the right to exchange a portion of their interest ("Exchangeable Interest") in their respective Centers for common shares of the Corporation. Such exchanges may only take place quarterly and are based on the exchange formulae stipulated in the exchange agreements and are subject to certain limitations, including a limitation of exchanging not more than three percent per quarter.

The number of common shares issuable under the Exchangeable Interest is determined by application of a formula which takes into account the number of partnership units being tendered for exchange and an exchange ratio based upon the distributions from the Centers over the prior twelve months. The exchange agreements between the Corporation and the non-controlling interest holders in each of the Centers contain the details of the exchange rights.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The Corporation uses the liability method of accounting for the Exchangeable Interest. Under this method, the Exchangeable Interest is reflected in the financial statements as follows:

(i) The exchange right is considered to have been fully exchanged at the original dates of acquisition of each of the five Centers in which Exchangeable Interest is held, resulting in the purchase of a further 14% interest in each such Center, except for ASH where 5% can be purchased, for an amount (the "imputed purchase price") proportionate to the price paid for the original 51% interest in such Centers. The imputed purchase price was allocated to the fair value of the assets acquired, including goodwill and other intangibles, consistent with the acquisition of the initial 51% interest.

(ii) The corresponding amount of the imputed purchase price relating to the 14% interest (5% in the case of ASH) is reflected as exchangeable interest liability. The exchangeable interest liability is carried at fair value, as determined at each reporting date by applying the closing common share price on the last trading day of the period, converted into U.S. dollars at the closing exchange rate, to the total number of common shares issuable under the outstanding Exchangeable Interest. Changes in the fair value of the exchangeable interest liability, including their effect on the deferred tax position, are included in net income.

(iii) Amortization of other intangibles and fair market value of property and equipment in excess of underlying book values are consistent with the amortization of the assets that arose on acquisition of the initial 51% interest in each Center.

(iv) The distributions made by each Center, that relate to the ownership interest therein that is the subject of the outstanding Exchangeable Interest, are treated as interest expense in the Corporation's consolidated statement of comprehensive income.

(v) The calculation of fully diluted earnings (loss) per share involves certain modifications, if applicable, to net income as reported and the number of issued and outstanding common shares as set out in note 7.2.

The number of common shares to be potentially issued for the exchangeable interest liability and the fair value of the exchangeable interest liability as at December 31, 2014 and December 31, 2013 are as follows:

	December 31,	
	2014	**2013**
Number of common shares to be potentially issued for exchangeable interest liability	5,851,799	6,274,969
Fair value of the exchangeable interest liability	$ 92,864	$ 105,841

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

10.3 Fair values and classification of financial instruments

The Corporation obtains the fair value of foreign exchange forward contracts from the counterparties to such contracts. The fair values of the convertible debentures and exchangeable interest liability are determined based on the closing trading price of the securities at each reporting period. The fair values of notes payable and term loans at the Centers' level approximate their book values as the interest rates are similar to prevailing market rates. The fair values of all other financial instruments of the Corporation, due to the short-term nature of these instruments, approximate their book values.

The following table presents the carrying values and classification of the Corporation's financial instruments as at December 31, 2014 and December 31, 2013:

	December 31,	
	2014 **$**	**2013** **$**
Financial assets		
Held-to-maturity (carried at amortized cost)		
Short-term investments	9,305	9,065
Long-term investments	3,559	3,807
Loans and receivable (carried at amortized cost)		
Cash and cash equivalents	41,309	35,872
Accounts receivable	46,994	50,332
Other assets	773	421
Financial liabilities		
Fair value through profit or loss		
Foreign exchange forward contracts	3,627	2,809
Convertible debentures	38,000	41,266
Exchangeable interest liability	92,864	105,841
Other liabilities (carried at amortized cost)		
Dividends payable	2,532	2,765
Accounts payable	15,192	14,965
Accrued liabilities	17,026	17,033
Long-term debt	40,237	42,419

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The financial instruments of the Corporation that are recorded at fair value have been classified into levels using a fair value hierarchy (note 18.16). The following tables represent the fair value hierarchy of the Corporation's financial instruments that were recognized at fair value as of December 31, 2014 and December 31, 2013. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	December 31, 2014			
	Level 1 $	Level 2 $	Level 3 $	Total $
Financial liabilities				
Foreign exchange forward contracts	-	3,627	-	3,627
Convertible debentures	38,000	-	-	38,000
Exchangeable interest liability	-	92,864	-	92,864
Total	**38,000**	**96,491**	**-**	**134,491**

	December 31, 2013			
	Level 1 $	Level 2 $	Level 3 $	Total $
Financial liabilities				
Foreign exchange forward contracts	-	2,809	-	2,809
Convertible debentures	41,266	-	-	41,266
Exchangeable interest liability	-	105,841	-	105,841
Total	**41,266**	**108,650**	**-**	**149,916**

10.4 Measurement of fair values

The following are the valuation techniques used in measuring Level 2 fair values (the Corporation does not have any Level 3 fair values).

Financial Instrument	Valuation Technique
Foreign exchange forward contracts	*Market comparison technique:* The fair values are obtained from the counterparties to such contracts. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
Exchangeable interest liability	*Market comparison technique:* The number of the Corporation's common shares to issue is based on the contractual agreements with the Centers that have exchange agreements with the Corporation and take into account the distributions to the non-controlling interest over the prior twelve months. The liability is valued based on the market price of the Corporation's common shares converted to the reporting currency as of the reporting date.

10.5 Financial risk management

In the normal course of its operations, the Corporation faces a number of risks that might have an impact on results of its operations and values of the financial instruments presented in the financial statements. Financial risks are outlined below as well as policies and procedures established by the Corporation for monitoring and controlling these risks.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

10.5.1 Foreign Exchange Risk

Dividends to common shareholders of the Corporation, exchangeable interest liability, interest on convertible debentures and a portion of the Corporation's expenses are settled in Canadian dollars while all of its revenues are in U.S. dollars. To mitigate this risk, from time to time, the Corporation may enter into foreign exchange forward contracts to economically hedge its exposure to the fluctuation of the exchange rate between U.S. and Canadian dollars. The Corporation has foreign exchange hedging policies in place and the execution of these policies is monitored by a designated sub-committee of the Board of Directors.

The values of Canadian dollar cash and cash equivalents, investments, foreign exchange forward contracts, interest paid and received, convertible debentures and exchangeable interest liability, as reported in the Corporation's financial statements, are dependent on the movement of the exchange rate between U.S. and Canadian dollars. Except for the impact on the value of the foreign exchange forward contracts (not readily available), a 1% change in the value of the Canadian dollar against the U.S. dollar would have had the following impact on net income for the years reported:

Exchange rate change	2014 $	2013 $
1% strengthening of the Canadian dollar	(59)	(415)
1% weakening of the Canadian dollar	59	415

10.5.2 Credit Risk

The Corporation faces the following credit risks.

Revenue and Accounts Receivable

The Centers receive payment for services rendered from U.S. federal and state agencies, private insurance carriers, employers, managed care programs and individual patients. As such, the Corporation's accounts receivable principally fall into five categories:

(i) governmental payors,

(ii) health and workers' compensation insurance companies,

(iii) recoveries from other responsible third parties such as automobile and general liability insurance,

(iv) recoveries for revision surgery from manufacturers of surgical devices subsequently found ineffective or defective, and

(v) co-pay and deductibles due from patients.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Revenue and accounts receivable from health insurance companies are further segregated between those that are independent members of the Blue Cross and Blue Shield System, workers' compensation lines and all others.

Services to the beneficiaries of Medicare and Medicaid and other governmental insurance programs as well as independent members of the Blue Cross and Blue Shield System are reimbursed primarily based on the established amounts, service codes and fees schedules subject to certain limitations. Reimbursements from other private insurance companies are based on the discounts from the rate established at the Centers in accordance with the contracts with such companies (see note 18.20).

The majority of the Corporation's accounts receivable balance is from governmental payors and health insurance companies. Health insurance companies are regulated by State Insurance Departments in the U.S. and are assessed as having a low risk of default, consistent with the Centers' history with these payors.

The table below summarizes the percentages of facility service revenue generated from and accounts receivable balances with each primary third-party payor group in 2014 and 2013:

	2014		2013	
	Facility Service Revenue by Payor %	Accounts Receivable at December 31 by Payor %	Facility Service Revenue by Payor %	Accounts Receivable at December 31 by Payor %
Medicare and Medicaid – category (i)	25.3	11.0	24.2	9.9
Blue Cross and Blue Shield – category (ii)	31.6	26.4	28.7	27.5
Workers' compensation – category (ii)	9.6	10.3	9.8	11.0
Other private insurance and self-pay – categories (iii), (iv) and (v)	33.5	52.3	37.3	51.6
	100.0	**100.0**	**100.0**	**100.0**

Recoverability of amounts due in respect of categories (iii) and (iv) above often involves insurance litigation and is difficult to determine, in which case the full amounts due may be reserved. A very small portion of the facility service revenue is received directly from patients (including those with no insurance and those paying deductibles or co-payments). Recoverability of amounts receivable directly from patients is assessed based on historical experience and amounts considered impaired are provided for in the allowance for non-collectible receivable.

Management reviews reimbursement rates and aging of the accounts receivable to monitor its credit risk exposure. On an ongoing basis, management assesses the circumstances affecting the recoverability of its accounts receivable and adjusts allowances based on changes in those factors. Monthly, actual bad debts for a trailing period are compared with the Corporation's allowance to support the accuracy of the estimate of recoverability. Considerations related to historical experience are also factored into the valuation of the current period accounts receivable.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The table below summarizes the aging of the Corporation's accounts receivable and related allowance for non-collectible receivable balances as at December 31, 2014 and December 31, 2013:

	December 31,	
	2014 $	2013 $
Accounts receivable	46,994	50,332
Neither past due nor impaired	38,384	37,983
Past due 61-90 days	4,129	6,854
Past due 91-120 days	2,615	3,319
Past due 121-150 days	1,804	1,989
Past due more than 151 days	8,350	9,260
Allowance for non-collectible receivable balances	(8,288)	(9,073)
Net accounts receivable	**46,994**	**50,332**

A significant portion of the accounts receivable older than 151 days relates to auto insurance cases that have good reimbursement rates but may take longer to collect and may involve insurance litigation.

Management believes that the unimpaired amounts that are past due by more than 60 days are still collectible, in full, based on the historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, if they are available.

Concentration of Financial Institutions

From time to time, the Corporation enters into foreign exchange forward contracts and places excess funds for investment with certain financial institutions. The current counterparty to the foreign exchange forward contracts is a banking institution and the Corporation considers the risk of its default on the contracts to be minimal. Investment of excess funds is guided by the investment policy of the Corporation that, among other things, (i) prescribes the eligible types of investments and (ii) establishes limits on the amounts that can be invested with any one financial institution.

10.5.3 Interest Rate Risk

The Corporation and the individual Centers enter into certain long-term credit facilities that expose them to the risk of interest rate fluctuations. The Corporation uses floating rate debt facilities for operating lines of credit that fund short-term working capital needs and uses fixed rate debt facilities to fund investments and capital expenditures.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The interest rate profile of the Corporation's interest-bearing financial liabilities as at December 31, 2014 and December 31, 2013 was:

	December 31, 2014 $	2013 $
Facilities with fixed interest rates	73,837	80,439
Facilities with variable interest rates	4,400	3,246
Total	**78,237**	**83,685**

A change of 100 basis points in the interest rates in the reporting period would have led to an increase or a decrease in interest expense of $12 (2013: $7), which does not include the impact of the adjustment of fair value of the convertible debentures since these are fixed-rate instruments.

10.5.4 Price Risk

The Corporation's convertible debentures and exchangeable interest liability are measured on quoted market prices in active markets and, therefore, the Corporation is exposed to variability in net income as prices change. Price risk includes the impact of foreign exchange.

10.5.5 Liquidity Risk

The mandatory repayments under the credit facilities, notes payable, and other contractual obligations and commitments including expected interest payments, on a non-discounted basis, as of December 31, 2014, are as follows:

		Future payments (including principal and interest)				
Contractual Obligations	**Carrying values at Dec 31, 2014 $**	**Total $**	**Less than 1 year $**	**1-3 years $**	**4-5 years $**	**After 5 years $**
Dividends payable	2,532	2,532	2,532	-	-	-
Accounts payable	15,192	15,192	15,192	-	-	-
Accrued liabilities	17,026	17,026	17,026	-	-	-
Income tax payable	151	151	151	-	-	-
Revolving credit facilities	5,400	5,595	1,135	4,460	-	-
Notes payable and term loans	31,699	35,227	5,283	5,108	22,406	2,430
Finance lease obligation	3,138	3,218	1,139	1,483	596	-
Convertible debentures	38,000	48,089	2,242	4,484	41,363	-
Operating leases and other commitments (not recorded in the financial statements)	-	63,918	7,426	13,791	11,579	31,122
Total contractual obligations	**113,138**	**190,948**	**52,126**	**29,326**	**75,944**	**33,552**

The Corporation's Cdn$50.0 million credit facility, which matures on July 4, 2015, was undrawn as at December 31, 2014.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The Corporation anticipates renewing, extending or replacing its revolving credit facilities which fall due during 2015 and expects that cash flows from operations and working capital will be adequate to meet future payments on other contractual obligations during 2015.

11. CAPITAL

The Corporation's objective when managing capital is to (i) safeguard the Corporation's ability to continue as a going concern and make acquisitions, (ii) ensure sufficient liquidity to fund current operations and its growth strategy, and (iii) maximize the return to common shareholders.

The capital of the Corporation is defined to include common shares (note 7.1), convertible debentures (note 6) and other debt facilities at the corporate level.

The Corporation manages its liquidity and capital structure by monitoring its cash and cash equivalents, short-term and long-term investments, its current indebtedness and future financing and funding needs.

In addition, the Corporation regularly monitors current and forecasted debt levels and key ratios to ensure compliance with debt covenants. As of the reporting date, the Corporation is in compliance with the covenants. The Corporation's long-term debt and revolving lines of credit require the maintenance of various financial ratios. Under the terms of the line of credit, the Corporation must meet two pro forma financial ratios at the time of incurring new debt.

In order to maintain or adjust the capital structure, the Corporation may enter into or repay credit facilities, adjust the amount of dividends paid to common shareholders, repurchase its publicly traded securities or issue new shares or convertible debt. During the twelve-month period ended December 31, 2014, the Corporation has returned capital to shareholders through the repurchase and cancellation of 55,600 common shares under the normal course issuer bid (note 7.3).

12. EMPLOYEE FUTURE BENEFITS

Benefits programs at the Centers include qualified 401(k) retirement plans which cover all employees who meet eligibility requirements. Each participating Center makes matching contributions subject to certain limits. In 2014, contributions made by the six Centers to such plans were $1,754 (2013: $1,491).

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

13. INCOME TAXES

The U.S. tax return for the Corporation is prepared on a consolidated basis for U.S. entities and includes balances and amounts attributable to these entities. The Canadian income tax return for the Corporation is prepared on a stand-alone basis and includes non-consolidated balances attributable to the Canadian entity only.

Income taxes reported in these consolidated financial statements are as follows:

Provision for Income Taxes	2014 $	2013 $
Current	1,929	1,929
Deferred	12,886	(13,291)
Total income tax expense (recovery)	**14,815**	**(11,362)**

The Corporation pays tax instalments on its estimated U.S. income taxes. The Corporation's income tax provision is reduced by the instalments for the current income taxes as follows:

	2014 $	2013 $
Income Tax		
Income tax instalments deposited	1,778	3,422
Provision for current income taxes	(1,929)	(2,304)
Income tax receivable (payable)	**(151)**	**1,118**

The following table reconciles income taxes, calculated at the U.S. combined federal and state tax rate and the Canadian combined federal and provincial income tax rate, to the income tax expense (recovery) reported in the consolidated statement of comprehensive income:

	2014		2013	
	$	%	$	%
Net income attributable to the owners of the Corporation	23,308		11,020	
Income tax expense (recovery)	14,815		(11,362)	
Income (loss) before income taxes	38,123	100.0	(342)	100.0
Income taxes at the statutory rate in Canada	10,103	26.5	(91)	26.5
Effect of:				
Impact of differences between statutory tax rates in Canada and U.S.	1,845	4.8	(630)	184.2
Non-taxable and non-deductible amounts	536	1.4	659	(192.7)
Change in value of exchangeable interest liability	919	2.4	1,202	(351.5)
Change in value of convertible debentures	(862)	(2.3)	81	(23.7)
Foreign exchange losses	466	1.2	330	(96.5)
Changes in previously recognized deferred tax asset	1,808	4.7	(12,913)	(3,775.7)
Income tax expense (recovery)	**14,815**	**38.9**	**(11,362)**	**(3,322.2)**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

13. INCOME TAXES (Continued)

As of December 31, 2014, the Corporation had net operating loss carry forwards for Canadian tax purposes totalling $101,857 that are scheduled to expire in the following years:

	$
2026	6,224
2027	21,191
2028	25,693
2029	24,458
2030	23,085
2031	1,206
Net operating loss carry forwards	**101,857**

Losses related to the Canadian entity may be used to offset the future income of the Canadian entity for Canadian income tax purposes. As of December 31, 2014, the Corporation has recognized deferred income tax assets of $26,984 in respect of net operating loss carry forwards that will be offset against future taxable income in the Canadian entity.

The components of deferred income tax balances are as follows:

	2014 $	2013 (Note 20) $
Deferred income tax assets		
Allowance for non-collectible receivable balance	1,575	1,585
Accrued liabilities and other	1,719	1,703
Goodwill and other intangibles	5,798	5,798
Cumulative change in the value of exchangeable interest liability	15,196	19,762
Net operating losses and deductions carry forwards	28,091	34,410
Total deferred income tax assets	**52,379**	**63,258**
Deferred income tax liabilities		
Property and equipment	(2,808)	(2,638)
Prepaid expenses and other	(91)	(129)
Goodwill and other intangibles	(11,312)	(9,437)
Total deferred income tax liabilities	**(14,211)**	**(12,204)**
Net deferred income tax assets	**38,168**	**51,054**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

14. INTEREST EXPENSE, NET OF INTEREST INCOME

Interest expense, net of interest income, included in the statement of comprehensive income consists of the following:

	2014 $	2013 $
Interest expense at Centers' level	1,616	1,753
Interest expense on convertible debentures	2,237	3,301
Amortization of available credit facility stand-by fees	330	314
Interest income at Centers' level	(235)	(320)
Interest income at corporate level	(265)	(306)
Interest expense, net of interest income	**3,683**	**4,742**

15. LOSS ON FOREIGN CURRENCY

Loss on foreign currency included in the statement of comprehensive income consists of the following:

	2014 $	2013 $
Unrealized loss on foreign exchange forward contracts	818	4,315
Realized loss (gain) on foreign exchange forward contracts which matured in the current period	3,034	(97)
Translation loss on cash balances denominated in Cdn$	1,239	1,343
Loss on foreign currency	**5,091**	**5,561**

16. RELATED PARTY TRANSACTIONS AND BALANCES

16.1 Transactions in the normal course of operations

The Centers routinely enter into transactions with certain related parties. These parties are considered related through common ownership by the holders of non-controlling interest in the respective Centers. Such transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. The exchange amounts represent normal commercial terms.

The expenses resulting from the Centers' transactions with related parties for the years 2014 and 2013 were as follows:

	2014 $	2013 $
BHSH	410	497
DPSC	395	2,871
SFSH	5,978	5,084
OSH	4,618	4,562
ASH	4,179	4,074
Total related party expenses	**15,580**	**17,088**

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

16. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

BHSH's related party transactions relate primarily to the provision of physical therapy and intra-operative monitoring services to BHSH. DPSC had employee sharing arrangements with two related parties, which arrangements were terminated in February 2014. SFSH's related party transactions were primarily in respect of purchase of medical products, billing and coding services, and the use of magnetic resonance imaging ("MRI") facility and related equipment. OSH's related party transactions were in respect of facility building lease, management services, and software equipment rental. ASH's related party transactions relate to the lease of facility building and sub-lease of MRI equipment, which expires in 2015.

The amounts payable to (receivable from) the related parties as at December 31, 2014 and December 31, 2013 were as follows:

	December 31,	
	2014 **$**	**2013** **$**
BHSH	47	50
DPSC	-	(20)
SFSH	392	310
OSH	204	212
Total payable to related parties	**643**	**552**

16.2 Other transactions

Certain of the physicians, who indirectly own the non-controlling interest in each of the Centers, routinely provide professional services directly to patients utilizing the facilities of the Centers and reimburse the Centers for the space and staff utilized. Also, certain of the physicians serve on the boards of management of the Centers and two such individuals perform the duties of Medical Director at the respective Centers and are compensated in recognition of their contribution to the Centers.

The Corporation owns a 34.2% equity interest in an associate. The Corporation has significant influence over the associate because of its equity position and it has representation on the board of the associate. The investment in and loan receivable from the associate as of December 31, 2014 were $302 and $130, respectively (December 31, 2013: $268 and $153, respectively). In 2014, the Corporation purchased a 0.35% ownership interest in an entity that holds indirect interest in BHSH for a total consideration of $341, which investment is accounted for at cost in the consolidated financial statements. Both investments comprise the 'Other assets' on the consolidated balance sheet.

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

16. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

16.3 Key management compensation

Key management personnel are comprised of executive officers and the directors of the Corporation. Key management compensation for the years 2014 and 2013 was as follows:

	2014 $	2013 $
Salaries and other short-term employee benefits for executive officers	1,271	1,232
Director compensation	1,067	975
Termination benefits	-	820
Total key management compensation	**2,338**	**3,027**

Salaries and other short-term employee benefits for executive officers include payments to executive officers for their base salaries, bonuses, social security payments, medical insurance payments and payments under the Corporation's long-term incentive plan. Director compensation consists of retainers, meeting fees and fees for special projects where a director is asked to undertake such special projects.

17. COMMITMENTS AND CONTINGENCIES

17.1 Commitments

In the normal course of operations, the Centers lease certain equipment under non-cancellable long-term leases and enter into various commitments with third parties. In addition, certain of the Centers lease their facility space from related (note 16) and non-related parties. Minimum payments for these leases are detailed in "Liquidity risk" section in note 10.5.5.

17.2 Contingencies

In the normal course of business, the Centers are, from time to time, subject to allegations that may result in litigation. Certain allegations may not be covered by the Centers' commercial and liability insurance. The Centers evaluate such allegations by conducting investigations to determine the validity of each potential claim. Based on the advice of the legal counsel, management records an estimate of the amount of the ultimate expected loss for each of these matters. Events could occur that would cause the estimate of the ultimate loss to differ materially from the amounts recorded.

In 2012, ASH recorded an accrued liability of approximately $780 for the estimated cost of surgeries to replace a recalled hip implant product ("revision surgeries"). ASH has received denials from third-party payors for the revision surgeries performed and anticipates having to perform additional revision surgeries that will result in no reimbursement. As at December 31, 2014, this accrued liability had decreased to $541.

18. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Centers.

18.1 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value (note 18.14).

18.2 Functional and presentation currency

The Corporation's financial statements are reported in U.S. dollars which is its functional and presentation currency. All financial information presented in U.S. dollars has been rounded to the nearest thousand, unless otherwise indicated.

The Corporation translates monetary assets and liabilities denominated in Canadian dollars, principally its convertible debentures, exchangeable interest liability and certain of its cash balances, which are all denominated in Canadian dollars, at exchange rates in effect at the reporting date. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations were incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses, including translation adjustments, are included in the determination of net income.

18.3 Basis of consolidation

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation (a) has the power over the entity, (b) is exposed, or has rights, to variable returns from its involvement with the entity, and (c) has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Non-controlling interest represents the portion of a subsidiary's net earnings and net assets that are attributable to shares of such subsidiary not held by the Corporation. The non-controlling interest in the equity of the Corporation's subsidiaries is included as a separate component of equity.

All intra-company balances and transactions have been eliminated in preparing these consolidated financial statements. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Corporation.

18. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18.4 Business combinations

Business combinations are accounted for using the acquisition method as of the date when control is transferred to the Corporation. The Corporation measures goodwill as the excess of the sum of the fair value of the consideration transferred over the net identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. Transaction costs that the Corporation incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in net income.

At the date of the acquisition, the non-controlling interest is measured at the non-controlling interest's proportionate share of the fair value of identifiable assets of the acquiree. Contingent consideration in respect of those acquisitions, accounted for as exchangeable interest liability, is recorded on the balance sheet with periodic changes in fair value of that liability reflected in net income.

18.5 Segment information

The operations and productive capacity of the Centers revolve around the provision of surgical procedures. Each Center is organized as an individual entity and separate financial statements are prepared for each entity. The chief operating decision makers of the Corporation, being the Chief Executive Officer and the Chief Financial Officer, regularly review performance of each individual Center to make decisions about resources to be allocated to each Center and assess their performance. Therefore, each Center represents an operating segment as defined by IFRS 8 *Operating Segments*.

Management of the Corporation has concluded that the operating segments of the Corporation meet the criteria for aggregation pursuant to IFRS 8, paragraph 12 and, therefore, discloses a single reportable segment. In forming its conclusion about the aggregation of the Centers, management of the Corporation evaluated the long-term economic characteristics of each Center, the comparative nature of the Centers' operations, and the level of regulation of each Center.

18.6 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and all liquid investments purchased with a maturity of three months or less from the purchase date and which can be redeemed by the Corporation.

18. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18.7 Short-term and long-term investments

Investments represent liquid investments purchased with a maturity of three months or more. Investments with maturities of more than three months but less than twelve months are classified as short-term and investments with maturities of twelve months or more are classified as long-term. The Corporation limits its exposure to credit risk through application of its investment policy. The policy permits investment of its cash and cash equivalents and short-term and long-term investments in (i) liquid securities issued or guaranteed by the Governments of Canada and the United States of America, or political subdivisions thereof and with (ii) certain Canadian chartered banks or banks regulated by the United States of America as listed in the policy. The carrying amount of investments represents the Corporation's maximum exposure to credit risk for such investments.

18.8 Accounts receivable

Accounts receivable are recorded at the time services are rendered at the amounts estimated to be recoverable from third-party payors and patients, by applying the following policies:

(i) Amounts billed are reduced by an allowance for third-party payor adjustments which are maintained at a level management believes reflects the estimated adjustments that will be applied upon collection of the amounts billed. The allowance is established using the third-party payor contracts effective at period end and/or based on historical payment rates.

(ii) An allowance for non-collectible receivable balances is recognized at a level management believes is adequate to absorb probable losses. Management determines the adequacy of the allowance based on historical data, current economic conditions, and other pertinent factors for the respective Center. Patient receivables are written off as non-collectible when all reasonable collection efforts have been exhausted.

Payments from third-party payors are generally received within 60 days of the billing date. However, accounts involving non-contracted payment sources, such as auto and general liability insurance, are subject to recovery efforts, including rebilling and insurance litigation, until they are collected or considered not collectible. Residual amounts due from patients, such as co-payments and deductibles, are considered past due 30 days after receiving payment from third-party payors.

18.9 Supply inventory

Supply inventory consists of medical supplies, including implants and pharmaceuticals. It is stated at the lower of cost or net realizable value, using the first-in, first-out valuation method.

18. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18.10 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation of property and equipment is computed using the straight-line and declining balance methods over the estimated useful lives of the assets. Assets under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Centers will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property and equipment are as follows:

Building and improvements	3-40 years
Equipment and furniture	3-20 years

Leases that substantially transfer the risk and benefits of ownership are capitalized with the cost included in property and equipment and the related liability recorded in long-term debt.

Depreciation methods, useful lives and residual values are reviewed on an annual basis.

18.11 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of cost over the fair value of identifiable net assets acquired. For business acquisitions occurring after the date of transition to IFRS (January 1, 2010), goodwill is also recognized on non-controlling interest. Goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortized but is reviewed at least annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

18.12 Other intangibles

Other intangibles are recognized only when it is probable that the expected future economic benefits attributable to the assets will be realized by the Corporation and the cost can be reliably measured. Other intangibles represent the value of the hospital operating licenses, medical charts and records, referral sources, and trade names. Other intangibles are stated at cost less accumulated amortization and accumulated impairment losses, when applicable.

Upon recognition of an intangible asset, the Corporation determines if the asset has a definite or indefinite life. In making the determination, the Corporation considers the expected use, expiry of agreements, nature of assets, and whether the value of the assets decreases over time.

18. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amortization is recognized on a straight-line basis over the estimated useful lives of other intangibles, other than trade names, from the date they are available for use. The estimated useful lives of other intangibles are as follows:

Hospital operating licenses	5 years
Medical charts and records	5-10 years
Referral sources	10-15 years

Trade names represent the value assigned to the reputation of the hospitals and their standing in the business and local community which allow them to earn higher than average returns. Trade names are not amortized as there is no foreseeable limit to the period over which trade names are expected to generate cash inflows for the Corporation.

18.13 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as goodwill and trade names, are tested at least annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets that have definite useful life which are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the CGU level, which is the lowest level for which there are separately identifiable cash flows. Management considers each Center as a CGU.

An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less cost to dispose and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized in net income. It is allocated first to reduce the carrying amount of any goodwill allocated to the respective Center and, then, to reduce the carrying amount of the other assets of the respective Center on a pro rata basis.

18. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18.14 Financial assets and liabilities

The Corporation initially recognizes financial assets on the date that they originate or on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Corporation assesses financial assets for impairment at each reporting date.

The Corporation initially recognizes financial liabilities on the date that they originate or on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

All financial assets and liabilities are initially recorded at fair value and designated into one of the following categories:

(i) Fair value through profit or loss (“FVTPL”)

Foreign exchange forward contracts, convertible debentures and exchangeable interest liability are designated as FVTPL and are carried at fair value with unrealized gains or losses recognized through net income.

(ii) Held-to-maturity

Short-term and long-term investments are designated as held-to-maturity and are carried at amortized cost using the effective interest rate method.

(iii) Loans and receivables

Cash and cash equivalents, accounts receivable and other assets are designated as loans and receivables and are carried at amortized cost using the effective interest rate method.

(iv) Other liabilities

Dividends payable, accounts payable, accrued liabilities and long-term debt are designated as other liabilities and are carried at amortized cost using the effective interest rate method.

18. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18.15 Impairment of non-derivative financial assets

Financial assets not designated as FVTPL, including interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

18.15.1 Financial assets measured at amortized cost

The Corporation considers evidence of impairment for financial assets measured at amortized cost on both an individual and collective basis. In assessing impairment, the Corporation uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income and reflected in an allowance account. If the amount of an impairment loss subsequently decreases, then the amount is reversed through net income.

18.15.2 Equity-accounted investee

An impairment loss in respect of an equity-accounted investee is measured comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in net income and is reversed if there has been a favourable change in the estimates used to calculate that recoverable amount.

18.16 Measurements of fair value

A number of the Corporation's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Corporation has an established control framework with respect to the measurement of fair values. The valuation of all fair value measurements is overseen directly by the Chief Financial Officer. Management of the Corporation regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from these sources to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

18. SIGNIFICANT ACCOUNTING POLICIES (Continued)

When measuring the fair value of an asset or a liability, the Corporation uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1 – unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Corporation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

18.17 Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the estimated expenditures required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values where the time value of money is material. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

18.18 Convertible debentures

The Corporation’s convertible debentures are convertible into a fixed number of common shares at the option of the holder. The number of common shares to be issued does not vary with changes in the market values of these convertible debentures.

The convertible debentures are denominated in Canadian dollars while the Corporation’s functional currency is U.S. dollars, which requires the Corporation to deliver a variable amount of cash to settle the obligation. Because the conversion option requires the Corporation to deliver a fixed number of common shares to settle a variable liability, the convertible debentures are considered hybrid financial instruments. The Corporation elected to account for the convertible debentures as financial liabilities measured at FVTPL. The changes in the recorded amounts of the liability due to the changes in the fair values of the convertible debentures and fluctuations in foreign exchange rates between the periods are reflected in net income.

18. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18.19 Exchangeable interest liability

Exchangeable interest liability represents an estimated liability for the remaining portion of the interest in the Centers held by the non-controlling interest which can be exchanged, subject to certain restrictions, for common shares of the Corporation. The exchangeable interest liability has been designated at FVTPL and accordingly is re-measured at the end of each reporting period taking into account (i) the calculated amount of common shares potentially issuable for the remaining portion of the exchangeable interest in the Centers held by the non-controlling interest, (ii) the market value of common shares, and (iii) the exchange rate between Canadian and U.S. dollars at the end of the reporting period. The change in value of the exchangeable interest liability is included in net income for the respective periods.

18.20 Facility service revenue

Facility service revenue consists of the actual amounts received and the estimated net realizable amounts receivable from patients and third-party payors. Facility service revenue is derived from the provision of the facilities and ancillary services for the performance of scheduled (as opposed to emergency) surgical, imaging, and diagnostic procedures. The Centers bill either their patients or the patients' third-party payors as of the date of service upon completion of the procedure. Facilities service revenue is recognized as of the date of the service when the recovery of consideration is probable and the Corporation is satisfied with the performance objectives.

A small amount of facility service revenue is received directly from self-paying patients while the majority of facility service revenue is received from third-party payors that provide insurance and coverage to patients. Each Center has agreements with third-party payors that provide for payments at amounts different from the Center's established rates. Payment arrangements include pre-determined rates per diagnosis, reimbursed costs, discounted charges, and per diem payments. As a result of established agreements with third-party payors, settlements under reimbursement arrangements are determined with a high degree of accuracy and are accrued on an estimated basis in the period the services are rendered, and are adjusted in future periods, as final settlements are determined. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the period of settlement.

18.21 Income taxes

Income tax expense consists of current and deferred taxes. Income tax expense is recognized in the statement of comprehensive income except to the extent that it relates to a business combination or items recognized directly in equity, in which case it is recognized in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

18. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Corporation calculates deferred income taxes using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the end of the reporting period. The effect on tax assets and liabilities of a change in tax rates is recognized in income tax expense in net income in the period that includes the date of enactment or substantive enactment.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are always recognized in full. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis. Deferred tax is provided on temporary differences arising on investments in subsidiaries, expect where the timing of the reversal of temporary differences is controlled by the Corporation and it is probable that the temporary differences will not reverse in the foreseeable future.

18.22 Application of new and revised IFRS

In 2014, the Corporation has implemented the following amendments to IFRS and a new Interpretation issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2014:

18.22.1 Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The Corporation has applied IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a CGU to which goodwill or other intangible assets with indefinite useful lives had been allocated where there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used, which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Corporation’s consolidated financial statements.

18. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18.22.2 IFRIC 21 *Levies*

The Corporation has applied IFRIC 21 *Levies* for the first time in the current year. IFRIC 21 addresses the issue as to when to recognize a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation.

IFRIC 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognized in the Corporation's consolidated financial statements.

18.23 New and revised IFRS not yet adopted

The Corporation has not applied the following new and revised IFRS that have been issued but are not yet effective:

18.23.1 IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the complete IFRS 9 *Financial Instruments* ("IFRS 9 (2014)"). The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The Corporation intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

18.23.2 IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 11 *Construction Contracts*, IAS 18 *Revenue*, and the related Interpretations when it becomes effective. The new standard is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Corporation intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

19. USE OF JUDGMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, facility service revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the circumstances as the basis for its judgments and estimates. Actual results may differ from these estimates. Such differences in estimates are recognized when realized on a prospective basis.

19.1 Judgments

Information about management's judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes: (i) functional currency (discussed in note 18.2), (ii) consolidation of investees (discussed in note 18.3), (iii) segment information (discussed in note 18.5), (iv) classification of leases (discussed in note 18.10), and (v) recognition of deferred tax assets and liabilities (discussed in notes 13 and 18.21).

19.2 Estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending December 31, 2014 is included in the following notes: (i) timing of recognition of facility service revenue (discussed in note 18.20) and recovery of accounts receivable (discussed in notes 10.5.2 and 18.8), (ii) valuation of supply inventory (discussed in note 18.9), (iii) useful lives of property and equipment (note 18.10) and other intangibles (note 18.12), (iv) fair value measurements and valuation of financial instruments (discussed in notes 10.4 and 18.16), (v) key assumptions regarding the valuation of acquired assets and liabilities, primarily goodwill and other intangibles (discussed in note 4), (vi) impairment test, including key assumptions underlying the recoverable amounts of goodwill and other intangibles (discussed in notes 4.3 and 18.13), (vii) provision for potential liabilities and contingencies and the assessment of the likelihood and magnitude of outflow of resources (discussed in note 17) and (viii) recognition of deferred tax assets and the availability of future income against which carry forward tax losses can be used (discussed in note 13).

(In thousands of U.S. dollars, except per share amounts and where otherwise indicated)

20. COMPARATIVE INFORMATION

As a result of an error in accounting for leases, the Corporation made the following correction to amounts previously reported in 2013:

	Previously Reported January 1, 2013 $	Change $	Revised January 1, 2013 $
Consolidated Balance Sheet			
Deferred income tax assets	37,520	243	37,763
Goodwill	104,211	978	105,189
Accrued liabilities	16,198	1,037	17,235
Deficit	(227,014)	210	(226,804)
Non-controlling interest	55,118	(26)	55,092

	Previously Reported December 31, 2013 $	Change $	Revised December 31, 2013 $
Consolidated Balance Sheet			
Deferred income tax assets	50,656	398	51,054
Goodwill	104,211	978	105,189
Accrued liabilities	15,328	1,705	17,033
Deficit	(243,585)	(9)	(243,594)
Non-controlling interest	55,036	(320)	54,716

	Previously Reported Year Ended December 31, 2013 $	Change $	Revised Year Ended December 31, 2013 $
Consolidated Statement of Comprehensive Income			
General and administrative	42,253	668	42,921
Income tax recovery	(11,207)	(155)	(11,362)
Net income for the year	45,122	(513)	44,609
Attributable to:			
Owners of the Corporation	11,239	(219)	11,020
Non-controlling interest	33,883	(294)	33,589