ALEGRO HEALTH CORP.

Management's Discussion and Analysis

December 31

2008

As at April 30, 2009

ALEGRO HEALTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

The following is a discussion of the consolidated financial position and the results of operations of Alegro Health Corp. (the "Company") for the quarter and year ended December 31, 2008 and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operation. This discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2008.

The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") for financial statements and all amounts are presented in Canadian dollars. The following MD&A, as at April 30, 2009, is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee. The Audit Committee has reviewed and approved the disclosure. The Company's common shares trade on the TSX Venture Exchange under the symbol AGO. Its most recent filings are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the internet at www.sedar.com

Forward Looking Statements and Caution

Certain statements in this MD&A constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the headings "*Business Outlook and Subsequent Events*" and "*Risks and Uncertainties*" and other statements concerning the Company's 2009 objectives, strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include the highly competitive nature of the Company's industry, government regulation and funding and other such risk factors described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward looking statements. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. All forward-looking statements in this MD&A are qualified by these cautionary statements. Except as required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This MD&A shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities described herein in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to qualification or registration under applicable securities laws of any such jurisdiction.

Highlights for the Year Ended December 31, 2008

The financial highlights were as follows:

- Revenue has increased by 10.8% over the prior year
- EBIDTA[1] has increased to in excess of $1.8 million, even allowing for onetime expenses
- Earnings per share remained at $0.03
- The Company currently has a cash position in excess of $4 million.

Company Overview

Alegro and its subsidiaries (collectively the "Group") are leading providers of medical and surgical services, medical assessment, multidisciplinary rehabilitation, case management and drug trial administration services to an extensive and diverse customer base. Alegro's current operational subsidiary holdings include Alegro Health Partners Inc. ("AHP"), Work Able Centres Inc. ("Work Able"), Direct Health Solutions Inc. ("Direct Health") and Don Mills Surgical Unit ("DMSU").

In 2003, Alegro acquired 100% of the outstanding common shares of Work Able in a reverse takeover transaction.

In 2004, the Company entered into a 25 year management services contract covering all aspects of the operations of DMSU. Shortly thereafter the management services contract was cancelled with the simultaneous acquisition of all the outstanding shares of DMSU.

In late 2005, through Direct Health, the Company completed the acquisition of certain assets and contracts of the Canadian division of Concentra Integrated Services of Burlington, Massachusetts. This transaction increased the scope of Alegro's disability and case management operations in Ontario and Atlantic Canada.

On May 23, 2007, Alegro entered into an agreement with Cincero Inc. ("Cincero") to form a clinical site management division operating as CanAm Research Corp. ("CanAm"). Alegro held 60% of CanAm with Cincero holding the remainder of the common shares. On November 15, 2008, the Company sold its 60% interest in CanAm. The sale of CanAm was for a nominal consideration. In addition, the Company is to receive 3% of the gross revenue of CanAm for a period of twenty years.

On July 13, 2007, Alegro concluded a significant strategic alliance with GHIS as detailed in news releases of May and July, 2007. GHIS has committed to assist Alegro in achieving its goal of rapid expansion and significant growth. Under the terms of the strategic alliance, GHIS provides both corporate finance expertise and M&A advisory services to Alegro.

On the same date, as part of the strategic alliance, the Company completed a private placement of 6,250,000 shares at a price of $0.20 for gross proceeds of $1,250,000. The proceeds of the private placement will primarily be applied to the expansion and improvement of Alegro. GHIS Capital invested $750,000 into AHP for its establishment and expansion, by way of convertible debentures due December 31, 2011 and bearing interest at 7% per annum. The debentures may be converted by GHIS Capital within three months before the maturity date and by AHP at the maturity date, into such number of common shares of AHP as would give GHIS Capital 25% of the issued and outstanding common shares of AHP. In the event of default, GHIS Capital may convert the debentures into such number of common shares of AHP as would give the holder 70% of the issued and outstanding shares of AHP. Neither the debentures nor the shares of AHP are convertible into or exchangeable for common shares or other securities of Alegro.

[1] EBIDTA, is included in this MD&A because this statistic is a key performance indicator that management uses to monitor performance. Management uses this statistic to assess how well the Company is performing compared to plan and to assess the overall effectiveness and efficiency of its operations. Management believes that the inclusion of this statistic in this MD&A helps an investor to assess performance "through the eyes of management" and that certain investors use this statistic to assess the Company's performance. This performance measure does not have a meaning within GAAP and, therefore, amounts presented may not be comparable to similar data from other health care companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Recent Management Additions

On October 16, 2008, it was announced that Dr. Martin Barkin was appointed Chairman of Alegro's Board of Directors.

Dr. Barkin's extensive experience in both the public health care sector with the Ontario Ministry of Health and Long-Term Care and the private sector with DRAXIS Pharma provides a unique insight into the business model and growth opportunities of Alegro.

Dr. Barkin currently serves as a director for Allon Therapeutics, a TSX listed biotechnology company and sits on the Advisory Board for Viventia Biotech. Dr. Barkin is also a professor in the Faculty of Medicine at the University of Toronto, in the Department of Surgery as well as the Department of Health Administration. From 1993 to 2007 Dr. Barkin was the President and CEO of DRAXIS Health Inc., as well as a Director of several TSX and NASDAQ listed companies. Dr. Barkin served as the Deputy Minister of Health, Ontario, from 1987 to 1991 and received the Queen Elizabeth II Silver Jubilee Award.

Subsidiary Overview

The operational subsidiaries have the following functions:

(i) Work Able and Direct Health

Work Able provides specialized medical assessment and rehabilitation services to individuals disabled as a result of work-related or motor vehicle injuries, as well as those suffering short and long- term disabilities that affect their ability to function and work.

Work Able has positioned itself as a premier provider of disability management services. Work Able pioneered the use of work-simulated facilities in Canada to support functional recovery and promote return to work and over the past three years has created a formidable catastrophic injury assessment division. Work Able presently has four facilities currently occupying a total of 28,795 square feet of leased space in Toronto, Barrie and Mississauga, Ontario as well as Halifax, Nova Scotia. The facilities are equipped with state of the art assessment, rehabilitation and work simulation tools and systems.

Direct Health provides medical assessment and rehabilitation services to the insurance industry and employers primarily in Ontario and Eastern Canada. It maintains leased offices in Halifax, Nova Scotia, Fredericton, New Brunswick and Toronto, Ontario. Direct Health will continue to provide vocational assessment and rehabilitation services and expand its client base of insurance, corporate and government entities in its current localities.

Work Able and Direct Health employ approximately 300 full-time staff and consultants including physicians from across a number of speciality practice areas, psychologists, occupational health nurses, physiotherapists, occupational therapists, cognitive behavioural therapists, kinesiologists and vocational evaluators.

(ii) DMSU

DMSU is an accredited, Toronto-based hospital operating since 1966 under Ontario's Private Hospitals Act and licensed by the Ontario Ministry of Health and Long-Term Care ("MOH").

As at December 31, 2008, DMSU specialized in a mix of ambulatory surgical services including:

- Ophthalmology – cataract extraction and lens implants;
- Orthopaedics – arthroscopic procedures on knees, rotator cuff repair and forefoot reconstruction;
- Plastic Surgery – reconstructive and cosmetic surgeries.

Affiliated surgeons maintain active practices within their specialty areas and are members of the Royal College of Physicians and Surgeons. DMSU provides services from a 7,381 square foot Toronto-based facility that includes two fully equipped operating theatres, 1 procedure room, 20 overnight stay beds, a

central nursing station and physicians` offices. DMSU retains full-time, part-time and casual nursing and administrative staff of 21 people.

DMSU services are funded in three ways:

- Government – money received from the MOH as part of global funding to perform surgical procedures covered by the Ontario Health Insurance Plan ("OHIP");
- Third party – surgical procedures and services paid for by corporations and insurance companies that do not fall under the Canada Health Act, such as Workers Compensation Board;
- Direct pay – surgical procedures and services not covered by OHIP and paid for by Ontario residents and surgical procedures and services paid for by residents of national and international jurisdictions.

(iii) CanAm

On November 15, 2008, the Company divested itself of CanAm. CanAm had no revenues in 2008 prior to the disposition. The sale of CanAm was for a nominal consideration. In addition, the Company is to receive 3% of the gross revenue of CanAm for a period of twenty years.

Financial Results

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

	2008	2007
Revenue	$ 15,795,226	$ 14,251,045
Expenses	$ 14,114,139	$ 13,176,119
Income Before Income Taxes	$ 1,681,087	$ 1,074,926
Basic and Diluted earnings per Share	$ 0.03	$ 0.03
Total Assets	$ 8,973,712	$ 8,654,737

(i) Overall performance

The current year has again been extremely successful for the Group. Profitability has grown in very competitive market conditions over the prior year as follows:

- Revenue has increased by in excess of 10 % to $15,795,226 from $14,251,045 in the prior year
- Expense to revenue ratios have fallen from 92% to 89%
- Net Income before income taxes increased by 56% to $1,681,087 from $1,074,926 in 2007.

The balance sheet has continued to strengthen as a result of the improved performance. The Company remains debt free.

Cash flow from operations was $433,262, a decrease from $915,891 from last year. This was primarily due to a reduction in accounts payable and accrued liabilities and income taxes payable balances between December 31, 2008 and 2007.

(ii) Revenue

Consolidated revenue for the year ended December 31, 2008 increased by approximately $1.5 million to $15,795,226 from $14,251,045 in the prior year. Of this increase $422,000 arose from the reversal of accruals made for Goods and Services Tax ("GST") prior to 2004. In 2008 it was determined that there was no liability with respect to the GST for any prior years. Accordingly, the previously recorded accruals were reversed in 2008 with a resultant increase in revenue.

(a) Disability Management

While operating as distinct business units given market purchasing preferences and unique mandates, the Division continued its organic and synergistic growth in the Canadian disability management sector.

The Division recorded a 29% increase in revenue to $14,253,953 from $11,008,992, 2007 revenue through maintaining and increasing market share in the various areas of business. After excluding the reversal of the GST accrual, the increase was 26%. Despite fee capitations and a change in industry purchasing preferences resulting in a shift in business mix, the Division maintained a solid average file value across business units.

In 2008, Work Able provided facility-based medical assessment and multidisciplinary rehabilitation and return-to-work services in Ontario and Nova Scotia. Direct Health extended Alegro's disability management service capacity through the provision of community based medical and vocational assessment and rehabilitation services across Canada. These business units maintained and expanded their national roster of highly qualified regulated health professional and disability management experts across disciplines in response to the increased demand for disability management services.

The Division's revenue continued to be distributed across its traditional customer base of, *inter alia*, automobile insurers, workers' compensation boards, disability insurers and public and private employers as follows:

- 95% of revenue through medical and multidisciplinary assessment services secured under preferred provider and service agreements
- 4% of revenue from multidisciplinary treatment and return to work programming
- 1% of revenue through vocational assessment and rehabilitation.

The 2008 revenue growth is attributed to:

- Effective divisional marketing and customer service strategies that promoted new and repeat business relationships
- Successful competitive tendering and business presentations that extended the number and scope of divisional preferred provider arrangements and service agreements
- Expanded geographic coverage and medical assessor affiliations that extended the Division's market presence and service capacity in Central and Atlantic Canada
- Focus on specialized assessment and treatment services including catastrophic and complex injury assessment and chronic pain programming
- Commitment to the highest quality clinical and administrative services through investments in qualified and experienced personnel
- Strategic business partnerships and synergies.

(b) DMSU

DMSU had reduced revenue from last year. The decrease was attributable to the elimination of the Ablatherm program upon the expiry of this contractual arrangement in February, 2008.

The global funding from MOH remained static over the prior year.

(c) CanAm and AHP

CanAm did not generate any revenue in the current year up to and until its sale in November 2008.

AHP provided minimal interest income to the Group from the cash injection of $750,000 via convertible debenture as discussed below.

(iii) Expenses

Consolidated expenses for the year grew by $938,020 over last year's consolidated expenses to $14,114,139. In addition to the divisional analysis of expenditure increases below, head office increases were due to increases in consulting fees, legal expenses and stock-based compensation charges.

(a) Disability Management

The Division's direct cost remained the same of a percentage of revenue. This is significant given the increase in administrative overhead associated with preferred provider requirements, increased administrative and clinical rate pressures. In addition, it indicates the efficiencies gained in the increased volumes through the Division.

Cost control targets were achieved through:

- Introduction of new business process and information system efficiencies
- Stability in occupancy, lease and general and administrative overhead
- Rigorous risk management systems
- A dynamic human resource model that maximized shared staffing allocation across the Division.

(b) DMSU

Costs decreased over the prior year in line with the elimination of the Ablatherm program.

(c) CanAm and AHP

CanAm had minimal expenses in the current year which related mainly to consulting fees.

Although the debenture in AHP attracted interest, in the consolidated financial statements, the interest paid was shown as a reduction in the non-controlling interest in line with the accounting treatment of the debenture as further explained under the "Liquidity and Capital Resources" below.

Amortization Expense

Amortization expense amounted to $173,700 for the current year as compared to $284,384 recorded in the 2007 year.

Liquidity and Capital Resources

With respect to liquidity, the cash generated by operations and the implementation of the transaction with GHIS and GHIS Capital, has resulted in the Company cash resources being in excess of $4 million at December 31, 2008. These cash resources will be required for improvements to operating capacity, business development activities and future investments. Management believes that the cash generated by existing operations will be sufficient in the short to medium term for existing general corporate expenditures and working capital purposes.

The improvement in liquidity mentioned above, together with the improved business activity, has resulted in an improved current ratio of 3.69 (2007: 2.55).

Deferred acquisition costs relate to legal and other costs incurred prior to December 31, 2008 with respect to certain acquisitions currently being negotiated. These costs will be included in the cost of acquisitions upon the closing of these acquisitions or expensed if the acquisitions are not concluded.

The convertible debenture provided by GHIS Capital into AHP has been reflected in the non-controlling interest as the conversion option is available to both GHIS Capital as well as Alegro. For the current period, $52,500 of the interest paid on the convertible debenture has been treated as a reduction in non-controlling interest.

Summary of Quarterly Results

Selected financial information for each of the last eight quarters ended December 31, 2008 is as follows:

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal year 2008				
Revenue and other income	$ 4,594,751[1]	$ 3,635,347	$ 3,836,405	$ 3,728,723
Net income	$ 263,851	$ 225,162	$ 258,841	$ 204,332
Income per share – basic and diluted	$ 0.007	$ 0.006	$ 0.007	$ 0.005
Fiscal year 2007				
Revenue and other income	$ 4,195,999	$ 3,219,228	$ 3,308,053	$ 3,527,765
Net income	$ 141,710	$ 98,726	$ 249,605	$ 264,645
Income per share – basic and diluted	$ 0.005	$ 0.003	$ 0.099	$ 0.010

[1] Includes a GST reversal of $422,000

The final quarter of 2008 shows managements' efforts in maintaining record revenues and containing costs. The approximate $398,751 increase in Q4 2008 revenue to $4,594,751 and the increase in income before income tax of $462,399 to $622,731 as compared to Q4 2007 are primarily related to the reversal of the GST accrual as described above.

Included in expenses is an amortization expense amounting to $42,433 as well as stock-based compensation expenses relating to the fair valuation of options granted under the stock option plan amounting to $88,658 for the three months ended December 31, 2008 respectively.

Business Outlook and Recent Developments

The board of directors has initiated a strategic review process primarily aimed at enhancing the current business units, diversifying income streams within the healthcare industry and proceeding with the securities offering to Doctors and Dentists in Canada in order to fund strategic expansion opportunities.

(i) Disability Management

Revenue and business referrals are expected to continue to increase as a result of maintaining and extending preferred service provider relationships with national insurers. The Division is examining opportunities to expand the Company's geographic scope to better service customer requirements as well as maintaining innovation in growing revenue and the Company's roster of consultants.

As a result of changes in sales mix in the industry, volumes have increased dramatically and are expected to continue to do so albeit at a slower rate. Consequently, during 2009, an investment in further human resources and operating capacity will be required in order to continue the growth shown in prior years. Margins in the Division are expected to reduce unless growth in revenue matches these additional expenditures.

(ii) DMSU

In January 2008, a strategic decision was made to terminate the agreement to provide facilities in respect of Ablatherm prostate cancer treatments three months prior to the expiry of the contract. Consequently, there was minimal revenue from this venture in 2008. In addition, DMSU expects global funding from the Ministry of Health to remain relatively similar to the amount received in fiscal 2008.

As part of the strategic process referred to above, management is continuing to pursue additional opportunities to provide innovative services to supplement the existing revenue and further diversify its revenue streams.

(iii) CanAm

As noted previously, the Company divested its 60% interest in this unit in November 2008.

(iv) AHP

With the implementation of the strategic partnership, management from both companies is working diligently to move the agenda of growth and synergistic partnerships forward. The GHIS alliance has enabled Alegro to partner with individuals who have a proven track record of success in a broad range of healthcare sectors.

Outstanding Share Data

As at December 31, 2008, the Company had 36,581,762 common shares issued and outstanding compared to 36,524,762 common shares issued and outstanding at December 31, 2007.

As at December 31, 2008, there were a total of 3,050,000 options outstanding to purchase an equivalent number of common shares at an average exercise price of $0.28, expiring at various dates until 2013. For further information on the options, shareholders are referred to Note 12 in the annual consolidated financial statements for the year ended December 31, 2008.

Transactions with Related Parties

The Company's related party transactions in 2008 are as follows:

- For the year ended December 31, 2008, the Company incurred management fees of $298,000 and $30,000 respectively (2007 – $240,000 and $72,000). The management services were provided by Brenras Holdings Inc. and The Disability Management Group Inc. ("DMG"), wholly-owned corporations controlled by Ms. Rasmussen, a shareholder, officer and director of the Company.
- For the year ended December 31, 2008, GHIS and GHIS Capital received $180,000 and $52,500 (2007 – $90,000 and $26,250), respectively, in consulting fees and interest received

Accounting Policies

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

New Accounting Policies

The Company adopted the following standards on January 1, 2008. The initial impact of the application of these changes is not expected to have a significant effect on the Company's consolidated financial statements.

Capital disclosures

CICA Handbook Section 1535, "Capital Disclosures", requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

Financial instruments - disclosure and presentation

CICA Handbook Sections 3862, "Financial Instruments – Disclosures" and 3863, "Financial Instruments – Presentation", replace Section 3861, "Financial Instruments – Disclosure and Presentation" revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements. Section 3862 requires the Company to provide in its consolidated financial statements disclosure that enable users to evaluate the significance of financial instruments for the Company's financial position and performance, the nature and risks arising from financial instruments to which the Company is exposed during the year and at the balance sheet date, and how the Company manages those risks. The Company has included the disclosure where needed in the notes to these consolidated financial statements.

Future Accounting Changes

International Financial Reporting Standards

The CICA plans to transition Canadian GAAP for publicly oriented enterprises to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined. In order to accommodate the transition to IFRS, planning and training are currently in progress.

Business Combinations and Non-controlling Interests

In January 2009, the CICA issued Handbook Sections 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests". Section 1582 replaces CICA Handbook Section 1581, Business Combinations, and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with early adoption permitted. Section 1601 together with Section 1602 replaces CICA Handbook Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Sections 1601 and 1602 are applicable for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption permitted. An entity must adopt Section 1582, 1601 or 1602 at the same time. Should the Company engage in a future business combination, it would consider early adoption to coincide with the adoption of IFRS.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The Company does not expect that this guidance will have any material impact on its consolidated financial statements.

Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs", establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, "Revenues and Expenses" during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production for new operations. The new standard is effective for the Company on January 1, 2009. The Company does not expect that this standard will have any material impact on its consolidated financial statements.

Disclosure Controls and Procedures

Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators requires Chief Executive Officers ("CEOs") and Chief Financial Officers ("CFOs") to certify that they are responsible for establishing and maintaining disclosure controls and procedures for the issuer, that disclosure controls and procedures have been designed to provide reasonable assurance that material

information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's disclosure controls and procedures, and that their conclusions about the effectiveness of those disclosure controls and procedures at the end of the period covered by the relevant annual filings have been disclosed by the issuer. Under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the design of the Company's disclosure controls and procedures as at December 31, 2008 and have concluded that those disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met.

Internal Controls over Financial Reporting

Multilateral Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting for the issuer, that those internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. There were no changes in internal controls during 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Off-Balance Sheet Arrangements

As at December 31, 2008, the Company had no off-balance sheet arrangements.

Risks and Uncertainties

A potential investor should carefully consider the risk factors set forth in deciding whether to invest in the securities of the Company. An investment in the securities of the Company is suitable only to those investors who are willing to risk the loss of their entire investment. The following discussion of certain risk factors relating to the business of the Group is qualified in its entirety by reference to, and must be read in conjunction with, information appearing elsewhere in the annual financial statements for the year ended December 31, 2008.

(i) Competition

The markets for Work Able and Direct Health's products are intensely competitive, subject to rapid change and significantly affected by market activities of other industry participants.

There is little, other than the relationships with the insurance companies, to prevent the entrance into the Disability Management sector for those wishing to provide similar services to those provided by Work Able and Direct Health. Work Able and Direct Health also compete for the provision of consulting services from independent healthcare professionals. Competitors with greater capital and/or experience may enter the market or compete for referrals from insurance companies and the services of available health care professionals. There can be no assurance that Work Able and Direct Health will be able to compete effectively for these referrals and healthcare professionals, that additional competitors will not enter the market, that such competition will not make it more difficult or expensive to provide disability management services or that competitive pressures in the provision of these services in a geographic region will not otherwise adversely affect Alegro.

(ii) Government Regulation and Funding

Work Able and Direct Health's business operates in an environment in which insurance regulation, policy and funding decisions play a key role. Regulatory and insurance policy related to medical and rehabilitation benefits are largely beyond Work Able and Direct Health's control. Changes in regulation and funding

structures related to third party disability management services, or their interpretation and application, could adversely affect the business, financial condition and results of operation of the Division.

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

(iii) Acquisition and Integration

The Group hopes to make acquisitions of various sizes that fit particular niches within Alegro's overall corporate strategy. There is no assurance that it will be able to acquire businesses on satisfactory terms or at all. These acquisitions will involve the commitment of capital and other resources, and these acquisitions could have a major financial impact in the year of acquisition and beyond. The speed and effectiveness with which Alegro integrates these acquired companies into its existing businesses can have a significant short-term impact on Alegro's ability to achieve its growth and profitability targets.

The successful integration and management of acquired businesses involves numerous risks that could adversely affect Alegro's growth and profitability, including that:

(a) Management may not be able to manage successfully the acquired operations and the integration may place significant demands on management, thereby diverting its attention from existing operations;

(b) Operational, financial and management systems may be incompatible with or inadequate to integrate effectively and to manage acquired systems;

(c) Acquisitions may require substantial financial resources that could otherwise be used in the development of other aspects of the business;

(d) Acquisitions may result in liabilities and contingencies which could be significant to the operations; and

(e) Personnel from Alegro's acquisitions and its existing businesses may not be integrated as efficiently or at the rate foreseen

The acquisition of healthcare-related companies or assets involves a long cost recovery cycle. The sales processes for the products that these companies offer are often subject to lengthy customer approval processes that typically accompany significant capital expenditures. Failures by the Group in achieving signed contracts after the investment of significant time and effort in the sales process could have an adverse impact on the Group's operating results.

(iv) Referrals

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

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

(v) Shortage of Physicians and Nurses

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

(vi) Confidentiality of Personal and Health Information

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

(vii) Information Technology Systems

Alegro's business (and in particular Work Able and Direct Health) depends, in part, on the continued and uninterrupted performance of its information technology systems. Sustained system failures or interruptions could disrupt the Group's ability to operate effectively, which in turn could adversely affect the business, results of operations and financial condition.

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

(viii) Key Personnel

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

(ix) Litigation and Insurance

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

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

(x) Uncertainty of Liquidity and Capital Requirements

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

(xi) Internal Control over Financial Reporting and Disclosure Controls and Procedures

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

(xii) Dependence on Work Able and Direct Health

The Group financial results are dependent upon the consolidated operations and assets of Work Able and Direct Health. The actual amount of cash flow will predominantly depend upon numerous factors, including profitability, determination of taxable income and taxes payable by Work Able and Direct Health, fluctuations in working capital, the sustainability of margins and capital expenditures. While management intends to diversify the income streams and cash flows of the Group through expansion into new markets and via acquisition, any material fluctuations in the performance of Work Able and Direct Health could adversely affect the price at which the common shares of Alegro trade.

(xiii) Unpredictability and Volatility of Share Price

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

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

(xiv) Leverage

The Group may borrow funds from third parties. The degree to which the Group is leveraged could significantly impact the amount of income to be generated and cash flow from operations. Should Alegro borrow, its ability to make scheduled payments of interest on, or to refinance, its indebtedness will depend on its future cash flow, which is subject to the operations of the business, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are

beyond its control. These factors might inhibit Alegro from refinancing its indebtedness on favourable terms.

In July 2007, AHP issued convertible debentures which mature on December 31, 2011 and are convertible into common shares of AHP. The convertible debentures may be converted by GHIS Capital within 3 months before the maturity date and by AHP at the maturity date, into such number of common shares of AHP as would give GHIS Capital 25% of the issued and outstanding common shares of AHP. In the event of default, GHIS Capital may convert the convertible debentures into such number of common shares of AHP as would give the holder 70% of the issued and outstanding shares of AHP. The conversion of the convertible debentures could result in AHP being held at between 30% and 75% by Alegro with the concomitant reduction in profits to the shareholders of Alegro. Notably, AHP is the entity through which business development in areas not already undertaken by Alegro will occur.

Information concerning the credit facilities and the convertible debentures is included in the Group's annual financial statements for the year ended December 31, 2008.

(xv) Capital Investment

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

(xvi) Tax Related Risks

The income of Alegro and its subsidiaries must be computed and will be taxed in accordance with Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of earnings after tax and ultimately the value at which the Alegro common shares trade.

Holding company and subsidiary company structures generally involve a significant amount of intercompany transactions, which serve to reduce earnings in one company and increase earnings in another and therefore income tax payable can increase and decrease. There can be no assurance that taxation authorities will not seek to challenge the amount and nature of these transactions. If such a challenge were to succeed against any of the Group companies, it could materially adversely affect the value at which the Alegro common shares trade.

Management of the Group believes that these transactions are supportable and reasonable in light of the commercial relationships between the group companies.

Although the Group is of the view that all expenses to be claimed by Alegro and its subsidiaries will be reasonable and deductible and that the cost amount and capital cost allowance claims of such entities' depreciable assets will have been correctly determined, there can be no assurance that the Canadian Revenue Authorities ("CRA") will agree. If CRA successfully challenges the deductibility of such expenses or the correctness of such cost amounts or capital cost allowance claims, the return to shareholders may be adversely affected.

(xvii) Dilution

The By Laws authorize the Company, in certain circumstances, to issue an unlimited number of common shares for the consideration and on those terms and conditions as are established by the directors without the approval of any shareholders. Any further issuance of common shares will dilute the interests of existing shareholders.

(xviii) Significant Shareholders

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

ALEGRO HEALTH CORP.

Year Ended December 31,

2008

With comparative figures for the year ended December 31, 2007

Consolidated Financial Statements

ALEGRO HEALTH CORP.

Consolidated Financial Statements

For the Years Ended

December 31, 2008 and 2007

Alegro Health Corp.

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December 31, 2008 and 2007

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Auditors' Report

To the Shareholders of
Alegro Health Corp.

We have audited the consolidated balance sheets of Alegro Health Corp. as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive income and retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed: ***"MSCM LLP"***

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 13, 2009

Consolidated Balance Sheets
December 31,

	2008	2007
Assets		
Current Assets		
Cash	**$ 4,002,255**	$ 4,028,927
Accounts receivable	**2,101,561**	1,953,549
Accrued receivables	**872,815**	668,446
Prepaid expenses	**47,682**	25,409
Future income taxes *(note 8)*	**—**	20,080
	7,024,313	6,696,411
Due from related party *(note 4)*	**—**	40,000
Property and equipment *(note 5)*	**330,557**	426,521
Goodwill	**46,863**	46,863
Intangible asset *(note 6)*	**1,146,815**	1,146,815
Future income taxes *(note 8)*	**55,466**	214,903
Deferred acquisition costs *(note 7)*	**369,698**	—
Deferred financing costs	**—**	83,224
	$ 8,973,712	$ 8,654,737
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 1,820,321**	$ 2,104,338
Income taxes payable	**66,475**	518,250
Future income taxes *(note 8)*	**16,967**	—
	1,903,763	2,622,588
Non-Controlling Interest *(note 9)*	**613,394**	665,894
Shareholders' Equity		
Share capital *(note 10)*	**3,928,050**	3,914,050
Contributed surplus *(note 11)*	**1,401,418**	1,246,715
Deferred stock-based compensation *(note 12)*	**(133,115)**	(102,526)
Retained earnings	**1,260,202**	308,016
	6,456,555	5,366,255
	$ 8,973,712	$ 8,654,737

Commitments *(note 17)*

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

Approved by the Board

"Bob Leshchyshen"
Bob Leshchyshen, Director

"Brenda Rasmussen"
Brenda Rasmussen, Director

Consolidated Statements of Operations, Comprehensive Income and Retained Earnings
for the years ended December 31,

	2008	2007
Revenue *(note 16)*	**$ 15,795,226**	$ 14,251,045
Expenses		
Direct costs	**9,978,911**	9,664,459
General and administrative *(note 4)*	**3,837,414**	3,123,240
Stock-based compensation *(note 12)*	**124,114**	104,036
Amortization	**173,700**	284,384
	14,114,139	13,176,119
Income before provision for (recovery of) income taxes	**1,681,087**	1,074,926
Provision for (recovery of) income taxes - current *(note 8)*	**532,417**	469,773
- future *(note 8)*	**196,484**	(149,533)
	728,901	320,240
Net income and comprehensive income for the year	**952,186**	754,686
Retained earnings (deficit), beginning of year	**308,016**	(446,670)
Retained earnings, end of year	**$ 1,260,202**	$ 308,016
Basic weighted average number of common shares outstanding *(note 10)*	**36,554,863**	28,216,543
Diluted weighted average number of common shares outstanding *(note 10)*	**36,981,288**	28,821,948
Basic and diluted earnings per common share *(note 10)*	**$ 0.03**	$ 0.03

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

Consolidated Statements of Cash Flows
for the years ended December 31,

	2008	2007
Cash flow from operating activities		
Net income for the year	**$ 952,186**	$ 754,686
Items not affecting cash		
Amortization	**173,700**	284,384
Future income taxes	**196,484**	(149,533)
Stock-based compensation	**124,114**	104,036
Bonus shares issued	**14,000**	—
Write-off deferred financing costs	**83,224**	—
Changes in non-cash working capital items		
Accounts receivable	**(148,012)**	(396,733)
Accrued receivables	**(204,369)**	(375,682)
Prepaid expenses	**(22,273)**	21,099
Accounts payable and accrued liabilities	**(284,017)**	356,024
Income taxes payable	**(451,775)**	358,180
Deferred revenue	—	(40,570)
	433,262	915,891
Cash flow from investing activities		
Purchase of property and equipment	**(77,736)**	(173,607)
Increase in deferred acquisition costs	**(369,698)**	—
Reduction in amounts due from related party	**40,000**	—
	(407,434)	(173,607)
Cash flow from financing activities		
Increase in deferred financing costs	—	(83,224)
Proceeds from private placement, net of transaction costs	—	1,153,573
Proceeds from convertible debenture, net of transaction costs *(note 9)*	—	665,894
Decrease in non-controlling interest	**(52,500)**	—
Proceeds from issuance of common shares	—	1,000,000
	(52,500)	2,736,243
(Decrease) increase in cash	**(26,672)**	3,478,527
Cash, beginning of year	**4,028,927**	550,400
Cash, end of year	**$ 4,002,255**	$ 4,028,927
Supplemental cash flow information:		
Income taxes paid	**$ 984,192**	$ 111,593
Interest paid	**$ 52,500**	$ 26,250

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

1. Business of the Company

Alegro Health Corp. (the "Company") was incorporated under the Canada Business Corporations Act on February 2, 2001 and is listed on the TSX Venture Exchange ("TSX-V"). The Company's principal business is providing health care services to its customers.

2. Significant Accounting Policies

Basis of presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. All amounts disclosed are in Canadian dollars, unless otherwise stated.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Work Able Centres Inc. and Work Able Centres North York Inc. (collectively "Work Able"), Don Mills Surgical Unit Ltd. and Don Mills Surgical Centres Ltd. (collectively "DMSU"), Assessment Network Inc. (operating as "MedEval"), Direct Health Solutions Inc. and Direct Health Solutions (2) Inc. (collectively "Direct"), Alegro Health Partners Inc. ("AHP") as well as its 60% controlled subsidiary CanAm Research Corp. ("CanAm"). Although AHP is a wholly-owned subsidiary it has been effectively recorded at 75% (see note 9). In addition, prior to its sale on November 15, 2008, a non-controlling interest in respect of CanAm has not been recorded as the losses applicable to the non-controlling interest in CanAm exceeded the non-controlling interest in the capital of CanAm. The sale of CanAm was for a nominal consideration. In addition, the Company is to receive 3% of the gross revenue of CanAm for a period of twenty years. All intercompany balances and transactions have been eliminated on consolidation.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided annually on bases designed to amortize the costs of the assets over their expected useful lives as follows:

Office furniture, fixtures and equipment	- 5 and 10 years straight-line
Work simulation and facility equipment	- 10 years straight-line
Computer equipment and software	- 30% declining balance
Medical equipment	- 5 years straight-line
Automobile	- 30% declining balance

Impairment of long-lived assets

The Company reviews long-lived assets such as property and equipment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When indicators of impairment of the carrying value of long-lived assets exist, and the carrying value is greater than the net recoverable value, an impairment loss is recognized to the extent that the fair value is below the carrying value.

2. Significant Accounting Policies - continued

Goodwill and intangible asset

Goodwill represents the excess of the costs of an acquired business over the fair value of the underlying identifiable tangible and intangible net assets acquired. The Company's private hospital licence is an intangible asset with an indefinite life. In accordance with the requirements of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3062, "Goodwill and Other Intangible Assets", the Company does not amortize goodwill or the indefinite-life licence but subjects them to an annual impairment test, or earlier, when circumstances indicate an impairment may exist.

The need for any write-down of the goodwill and licence due to an impairment in their value is based on the assessment of the fair value of their respective reporting units. The Company estimates the fair value of a reporting unit on a discounted cash flow basis which is then compared to its carrying value. Impairment losses are recorded when the carrying amount of the goodwill and licence exceed their estimated fair values. Any write-down of the goodwill and licence arising from an impairment in value is recorded in the period in which the impairment is identified as a charge to earnings.

Management has determined, using the above-noted valuation method, that there was no impairment to goodwill or the intangible asset at December 31, 2008 or 2007.

Deferred acquisition and financing costs

Legal and other costs directly attributable to financing and acquisition transactions are reported as deferred financing costs or deferred acquisition costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. The deferred financing costs at December 31, 2007 represented legal and other costs directly related to a proposed private placement of common shares. The Company did not proceed with the private placement and accordingly these costs have been written off in 2008 and included in general and administrative expense. The deferred acquisition costs at December 31, 2008 are described in note 7.

Financial instruments

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are included on the consolidated balance sheets and are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Held-for-trading financial instruments are subsequently measured at fair value and all gains and losses are included in net income in the period which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gain and losses included in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading; accounts receivable, accrued receivables, and due from related party as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

2. Significant Accounting Policies - continued

Revenue recognition

Revenue for independent medical assessments is recognized when services have been completed, the price is fixed or determinable, and collection is reasonably assured. Accrued receivables represent an accrual for revenue recognized on completed and unbilled assessments. The estimated costs incurred to complete the assessments are included in accrued liabilities. Other services, such as work conditioning treatments and case management services, are billed when these services are rendered, the price is fixed or determinable, and collection is reasonably assured.

Revenue from patient services is recorded at the time when the services are performed. Patient services paid in advance are recorded as deferred revenue and recognized as revenue once the procedure has been performed.

Government assistance from the Ministry of Health and Long-Term Care is recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income tax payable for the current period. Future income tax assets and liabilities are determined based on the differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits, such as operating loss carry forwards. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

Employee benefit plans

The Company accrues its obligations under employee benefit plans and the related costs. Some employees of DMSU are eligible to be members of the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer, defined benefit pension plan. Defined contribution accounting is applied to HOOPP, whereby contributions are expensed when due, as DMSU has insufficient information to apply defined benefit plan accounting.

Stock-based compensation

The Company has a stock option plan for directors, officers, employees and consultants as described in note 12. Under the fair value based method, compensation expense for stock options is measured at fair value at the date of grant using the Black-Scholes option pricing model. If the award is for future service, the compensation cost of a stock-based award to employees is recognized, over the period in which the related employee services are rendered, by a charge to compensation cost. If the service period is not defined as an earlier or shorter period, the service period is presumed to be the period from the grant date to the date that the award is vested and its exercisability does not depend on continued employee service. If an award is for past services, the related compensation cost is recognized in the period in which it is granted.

2. Significant Accounting Policies - continued

Stock options awarded to non-employees are measured using the fair value method. Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measured. The fair value of stock-based payments to non-employees are periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date are measured and recognized at that date.

Consideration paid on the exercise of stock options is credited to share capital, as is any related amount in contributed surplus.

Earnings per share

Earnings per share are calculated based on the net income attributable to common shareholders. Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the basic weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive-potential common shares had been issued. The dilutive effect of the stock options is determined using the treasury stock method.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain 2007 amounts have been reclassified to conform to the current year's presentation.

New Accounting Policies

The Company adopted the following standards on January 1, 2008.

Capital disclosures

CICA Handbook Section 1535, "Capital Disclosures", requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. The disclosure requirements pertaining to this new standard are included in note 3 to these consolidated financial statements.

2. Significant Accounting Policies - continued

Financial instruments - disclosure and presentation

CICA Handbook Sections 3862, "Financial Instruments – Disclosures" and 3863, "Financial Instruments – Presentation", replace Section 3861, "Financial Instruments – Disclosure and Presentation" revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements. Section 3862 requires the Company to provide in its consolidated financial statements disclosure that enable users to evaluate the significance of financial instruments for the Company's financial position and performance, the nature and risks arising from financial instruments to which the Company is exposed during the year and at the balance sheet date, and how the Company manages those risks. The Company has included the disclosure where needed in the notes to these consolidated financial statements.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The standard requires that management make an assessment of a company's ability to continue as a going concern and to use the going concern basis in the preparation of the financial statements unless management either intends to liquidate the company or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon a company's ability to continue as a going concern, those uncertainties should be disclosed. The adoption of these amendments has not had a material impact on the Company's consolidated financial statements.

Future Accounting Changes

International Financial Reporting Standards

The CICA plans to transition Canadian GAAP for publicly accountable profit oriented enterprises to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

Business Combinations and Non-controlling Interests

In January 2009, the CICA issued Handbook Sections 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests". Section 1582 replaces CICA Handbook Section 1581, Business Combinations, and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with early adoption permitted. Section 1601 together with Section 1602 replaces CICA Handbook Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

2. Significant Accounting Policies - continued

Sections 1601 and 1602 are applicable for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption permitted. An entity must adopt Section 1582, 1601 or 1602 at the same time. Should the Company engage in a future business combination, it would consider early adoption to coincide with the adoption of IFRS.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The Company does not expect that this guidance will have any material impact on its consolidated financial statements.

Goodwill and Intangible Assets

Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs", establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production for new operations. The new standard is effective for the Company on January 1, 2009. The Company does not expect that this standard will have any material impact on its consolidated financial statements.

3. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the continuation and expansion of its operations. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include share capital and the stock option component of its shareholders' equity as well as its operating credit facilities (see note 14). In order to maintain or adjust its capital structure, the Company may seek additional financing through the issuance of new equity securities, the exercise of outstanding stock options or the issuance of debt instruments such as operating or term loans.

Management reviews its capital management requirements on an ongoing basis and believes this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management during the year ended December 31, 2008.

As at December 31, 2008, neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

4. Related Party Transactions and Balances

In the normal course of operations, the Company has entered into certain related party transactions which have been measured at the respective exchange amounts, being the consideration established and agreed by the related parties.

A summary of balances and transactions with related parties are as follows:

	2008	2007
Amount due from related party:		
Disability Management (i)	**$ —**	$ 40,000
General and administrative expenses:		
Brenras (i)	**$ 298,000**	$ 240,000
Disability Management (i)	**30,000**	72,000
GHIS (ii)	**180,000**	90,000
	$ 508,000	$ 402,000
Interest paid to GHIS (iii)	**$ 52,500**	$ 26,250

The amount due from related party was non-interest bearing with no fixed terms of repayment.

(i) Brenras Holdings Inc. ("Brenras") and The Disability Management Group Inc. ("Disability Management") are wholly-owned by a significant shareholder and director of the Company. Brenras and Disability Management provided management services to the Company during the years ended December 31, 2008 and 2007.

(ii) Global Healthcare Investments & Solutions, Inc. ("GHIS") and entities controlled by the shareholders of GHIS own approximately 31% of the issued and outstanding common shares of the Company as at December 31, 2008. GHIS provided strategic and business development consulting services to the Company for the years ended December 31, 2008 and 2007.

(iii) GHIS Capital Inc. ("GHIS Capital") is related to GHIS by common control. During 2008 and 2007, the Company paid interest of $52,500 and $26,250 respectively, to GHIS Capital on the outstanding convertible debenture (see note 9).

5. Property and Equipment

	2008		
	Cost	**Accumulated Amortization**	**Net Book Value**
Office furniture, fixtures and equipment	**$ 528,644**	**$ 431,476**	**$ 97,168**
Work simulation and facility equipment	**1,267,987**	**1,267,987**	**—**
Computer equipment and software	**881,200**	**712,371**	**168,829**
Medical equipment	**397,925**	**344,318**	**53,607**
Automobile	**18,408**	**7,455**	**10,953**
	$ 3,094,164	**$ 2,763,607**	**$ 330,557**

	2007		
	Cost	Accumulated Amortization	Net Book Value
Office furniture, fixtures and equipment	$ 481,428	$ 427,696	$ 53,732
Work simulation and facility equipment	1,267,987	1,257,179	10,808
Computer equipment and software	830,437	636,148	194,289
Medical equipment	422,432	270,387	152,045
Automobile	18,408	2,761	15,647
	$ 3,020,692	$ 2,594,171	$ 426,521

6. Intangible Asset

The intangible asset represents the private hospital licence held by DMSU, the Company's wholly-owned subsidiary. This licence has an indefinite useful life.

7. Deferred Acquisition Costs

Deferred acquisition costs relate to legal and other costs incurred prior to December 31, 2008 with respect to certain acquisitions currently being negotiated. These costs will be included in the cost of acquisitions upon the closing of these acquisitions or expensed if the acquisitions are not concluded.

8. Income Taxes

The total provision for income taxes varies from the amounts that would be computed by applying the statutory income tax rate of approximately 33.5% (36.0% for 2007) to income before income taxes as follows:

	2008	2007
Income before income taxes	**$ 1,681,087**	$ 1,074,926
Expected income tax expense based on statutory tax rate	**$ 563,164**	$ 386,973
Increase (decrease) resulting from:		
Non-deductible expense for stock-based compensation	**41,578**	37,578
Other non-deductible (taxable) items	**10,967**	(11,828)
Tax benefit of prior year losses utilized	**—**	(17,980)
Effect of future tax rate reduction	**35,437**	—
Change in valuation allowance and other	**77,755**	(74,503)
Provision for income taxes	**$ 728,901**	$ 320,240

The Company has non-capital losses available to offset future income for tax purposes of approximately $271,835 which expire as follows:

2027	$ 30,928
2028	$ 240,907

The components of future income tax assets (liabilities) are as follows:

	2008	2007
Capital assets	**$ (12,099)**	$ (31,550)
Non-capital losses carried forward	**78,832**	17,820
Financing costs	**(6,711)**	60,476
Accrued liabilities deductible when paid	**—**	206,057
Valuation allowance	**(21,523)**	(17,820)
Net future tax assets	**$ 38,499**	$ 234,983
Current future income tax (liability) asset	**$ (16,967)**	$ 20,080
Non-current future income tax assets	**$ 55,466**	$ 214,903

9. Non-Controlling Interest

Non-controlling interest represents a $750,000 convertible debenture issued to GHIS Capital by AHP bearing interest at 7% per annum and due December 31, 2011. The debenture may be converted by GHIS Capital within three months before the maturity date and by AHP at the maturity date into such number of common shares of AHP as would give GHIS Capital 25% of the issued and outstanding shares of AHP. As a result, the debenture has been accounted for as equity by AHP which results in a non-controlling interest upon consolidation.

As at December 31, 2008, the balance of non-controlling interest consists of the following:

	2008	2007
Balance, beginning of the year	**$ 665,894**	$ —
Convertible debenture (i)	**—**	750,000
Less: interest (ii)	**(52,500)**	(26,250)
Less: transaction costs (iii)	**—**	(57,856)
Balance, end of year	**$ 613,394**	$ 665,894

(i) In the event of default, GHIS Capital may convert the debenture into such number of common shares in AHP as to give the holder 70% of issued and outstanding shares of AHP.

(ii) Interest paid on the convertible debenture during the years 2008 and 2007 has been treated as a distribution of equity which results in a reduction of the non-controlling interest upon consolidation of AHP.

(iii) Transaction costs consist of legal fees relating to the issuance of the convertible debenture.

10. Share Capital

Common shares

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

	Number of Shares	Amount
Issued and outstanding, December 31, 2006	25,274,762	$ 1,833,497
Shares issued in private placement (i)	6,250,000	691,645
Exercise of warrants (ii)	5,000,000	1,388,908
Issued and outstanding, December 31, 2007	36,524,762	3,914,050
Shares issued as bonus 2008 (iii)	57,000	14,000
Issued and outstanding, December 31, 2008	**36,581,762**	**$ 3,928,050**

(i) On July 13, 2007, the Company completed a private placement of 6,250,000 units at a price of $0.20 per unit, consisting of one common share, four-fifths of one series A common share purchase warrants and one-fifth of one series B common share purchase warrants for gross proceeds of $1,250,000. Each whole series A warrant entitled the holder to acquire one common share at $0.20 per share until December 31, 2007. Each whole series B warrant entitled the holder to acquire one common share at $0.43 per share until December 31, 2008. The fair value of all warrants issued was estimated at $461,928 using the Black-Scholes pricing model. Share issue costs relating to the private placement totaled $96,427.

(ii) On December 31, 2007, the 5,000,000 outstanding series A common share purchase warrants were exercised for gross proceeds of $1,000,000. The estimated fair value of the series A warrants of $388,908 was reallocated to common shares from contributed surplus upon exercise. The series B warrants expired unexercised on December 31, 2008.

(iii) In 2008, bonus shares were issued to certain employees and consultants depending upon length of service. These ranged between 500 and 1,000 common shares at issue prices between $0.15 and $0.25 per share.

Earnings per share

Earnings per share have been calculated on the basis of net income for the year divided by the weighted average number of common shares outstanding during each year. Diluted earnings per share, for both years presented, were calculated using the weighted average number of common shares outstanding during each year as follows:

	2008	2007
Basic weighted average number of common shares outstanding	**36,554,863**	28,216,543
Dilutive effect of stock options	**426,425**	605,405
Diluted weighted average number of common shares outstanding	**36,981,288**	28,821,948

11. Contributed Surplus

Contributed surplus represents the value attributed to options issued under the Company's stock-based compensation plan and warrants issued in connection with private placements.

Balance, December 31, 2006	$ 967,133
Stock-based compensation *(note 12)*	206,562
Warrants issued in connection with private placement *(note 10(i))*	461,928
Amounts reclassified to share capital on exercise of warrants *(note 10 (ii))*	(388,908)
Balance, December 31, 2007	1,246,715
Stock-based compensation *(note 12)*	154,703
Balance, December 31, 2008	**$ 1,401,418**

12. Stock Options

Pursuant to the Stock Option Plan (the "Plan"), the Board of Directors of the Company may allocate non-transferable options to purchase common shares of the Company to directors, officers and key employees of the Company and to consultants retained by the Company. Under the Plan, the aggregate number of shares reserved for issuance upon the exercise of the options granted may not exceed 10% of the issued shares of the Company at the time of granting the option. Options issued pursuant to the Plan must have an exercise price not less than trading price on the date the options are granted and may be exercisable for a period not exceeding five years. The Board of Directors determines the vesting terms and conditions at the time of the grant.

The outstanding and exercisable stock options are as follows:

	2008		2007	
	Number of Options	**Weighted-Average Exercise Price**	Number of Options	Weighted-Average Exercise Price
Outstanding, beginning of the year	**2,050,000**	**$ 0.29**	2,561,111	$ 0.30
Granted (i) to (v)	**1,400,000**	**0.28**	1,300,000	0.32
Cancelled (iii)	**(400,000)**	**0.34**	(1,811,111)	0.32
Outstanding, end of the year	**3,050,000**	**$ 0.28**	2,050,000	$ 0.29

(i) On May 1, 2007, the Company granted 800,000 stock options to a consultant of the Company. Each option entitles the holder to purchase one common share of the Company at a price of $0.20 per common share. These options have a period of five years, expiring May 1, 2012.

12. Stock Options - continued

(ii) On July 13, 2007, the Company granted 500,000 stock options to GHIS as part of Company's agreement with GHIS. Each option entitles the holder to purchase one common share of the Company at a price of $0.50 per share. These options have a period of five years, expiring July 13, 2012.

(iii) On June 2, 2008, the Company granted 500,000 stock options to an officer to purchase an equivalent number of common shares at an exercise price of $0.34 per share to be vested at the rate of 20% per annum over a five year period with 20% being vested immediately on granting. The remaining 400,000 unvested options were cancelled upon departure of the recipient.

(iv) On July 9, 2008, the Company granted 575,000 stock options to directors of the Company to purchase an equivalent number of common shares at an exercise price of $0.275. These options vest at the rate of 25% per annum after the completion of one year and are exercisable for a period of five years. In addition, a further 25,000 options were granted to an employee of the Company to purchase an equivalent number of common shares at an exercise price of $0.275. These options vest immediately.

(v) On October 15, 2008, the Company granted to the chairman of the Board of Directors two series of stock options to purchase an equivalent number of common shares at an exercise price of $0.20 per share. The first of the series is for 100,000 stock options. These options vest at the rate of 25% per annum after the completion of one year and are exercisable for a period of five years. The second series is for 200,000 stock options exercisable at the rate of 25% per quarter. These options are only exercisable for a period of one year.

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding and of options exercisable as at December 31, 2008 are as follows:

Options Outstanding				Options Exercisable	
Range of Exercise Price	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
$0.20-$0.50	3,050,000	$0.28	3.10	1,725,000	$0.27

The following assumptions were used to determine the fair value of the options:

	2008	2007
Risk free interest rate	**1.79% - 3.41%**	4.63% - 4.79%
Expected stock volatility	**101% - 128%**	86%
Expected life	**0.25 - 5 years**	1 - 5 years
Dividend yield	**NIL**	NIL

12. Stock Options - continued

The estimated fair values of the 2008 stock options on the respective grant dates using the Black-Scholes option pricing model and the above assumptions totaled $154,703 (2007 - $206,562), resulting in an increase to contributed surplus. For the year ended December 31, 2008, $68,292 (2007 - $104,036) of this amount has been recognized as employee stock-based compensation expense while the remaining balance of $86,411 (2007 - $102,526) has been reflected in equity as deferred stock-based compensation.

In addition, $55,822 (2007 - $nil) of previously deferred stock-based compensation was realized during the year.

13. Share Purchase Warrants

During the years ended December 31, 2008 and 2007, share purchase warrants were issued, exercised and expired as follows:

	Number of Warrants	Price/Warrant	Expiry Date
Balance, December 31, 2006			
Series A warrants issued *(note10 (i))*	5,000,000	$0.20	December 31, 2007
Series B warrants issued *(note 10 (i))*	1,250,000	$0.43	December 31, 2008
Series A warrants exercised *(note10 (ii))*	(5,000,000)	$0.20	December 31, 2007
Balance, December 31, 2007	1,250,000		
Warrants expired	1,250,000		
Balance, December 31, 2008	—		

In 2007, the following assumptions were used to determine the fair value of the warrants:

Risk free interest rate	**4.69%**
Expected stock volatility	**86%**
Expected life	**0.5 - 1.5 years**
Dividend yield	**NIL**

14. Credit Facilities

The Company maintains a revolving operating credit facility to a maximum of $1,000,000, including letters of guarantee to a maximum of $250,000. Interest on the borrowing options available is at prime plus 0.5% and 2% per annum, respectively, with interest paid monthly. The credit facilities are collateralized by a general security agreement on the Company's assets.

As at December 31, 2008 and 2007, the Company had not drawn on these credit facilities.

15. Employee Benefit Plans

Certain DMSU employees are members of HOOPP, which is a multi-employer, defined benefit pension plan. The Company, as an employer of HOOPP members, is required to make monthly contributions based on a percentage of qualifying salaries. Contributions made to HOOPP during the year ended December 31, 2008 amounted to $20,643 (2007 - $21,947).

16. Revenue

Revenue in 2008 includes an amount of $422,000 arising on the reversal of accruals made for goods and services tax ("GST") prior to 2004. In 2008, it was determined that there was no longer a liability with respect to GST for any prior years. Accordingly, the previously recorded accruals were reversed in 2008 with a resultant increase in revenue.

17. Commitments

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

	Premises	Equipment	Total
2009	$ 1,063,538	$ 36,692	**$ 1,100,230**
2010	989,488	30,404	**1,019,892**
2011	905,796	13,422	**919,218**
2012	633,835	—	**633,835**
2013	512,629	—	**512,629**
	$ 4,105,286	$ 80,518	**$ 4,185,804**

18. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accrued receivables, due from related party, accounts payable and accrued liabilities.

Fair value

Due to their short-term maturities, the fair value of financial instruments approximates their carrying value.

Credit risk

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

The Company's cash is held through large Canadian Banks. The Company is not exposed to significant credit risk arising from their financial instruments and it has had minimal bad debt expense.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity by assuring that there is sufficient capital to meet short and long-term business requirements after taking into account cash flows from operations and the Company's holding of cash. The Company also strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances.

Management forecasts cash flows for its current and subsequent fiscal years to protect future financial requirements. At December 31, 2008, the Company had $4,002,255 (December 31, 2007 - $4,028,927) of cash and no short-term or long-term debt.

Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company has a revolving operating facility of $1,000,000 which has a variable interest rate based on prime. As at December 31, 2008, the Company has not drawn on the facility, and accordingly has limited exposure to interest rate risk.

Currency Risk

Virtually all of the Company's transactions are denominated in Canadian dollars. At December 31, 2008, the Company held no financial instruments that were denominated in other than Canadian currency.

19. Segmented Reporting

The operations of the Company and its consolidated subsidiaries are comprised of three reportable operating segments, Work Able, DMSU, and Direct. The general and administrative costs included in the "Other" column have not been allocated to the three reportable operating segments. Work Able provides specialized medical assessment and rehabilitation services to individuals disabled as a result of work-related or motor vehicle injuries. Direct Health provides medical assessment and rehabilitation services to the insurance industry and employers primarily in Ontario and Eastern Canada. DMSU is an accredited, Toronto-based hospital specializing in a mix of ambulatory and surgical services.

The Company's reportable segments are strategic business units that offer different products and services.

As at and for the year ended December 31, 2008:

	Work Able	DMSU	Direct	Other	Total
Revenue	$ 9,438,054	$ 1,508,588	$ 4,815,899	$ 32,685	**$ 15,795,226**
Direct costs	(5,428,545)	(1,334,596)	(3,215,770)	—	**(9,978,911)**
General and administrative	(838,034)	2,752	—	(3,002,132)	**(3,837,414)**
Stock-based compensation	—	—	—	(124,114)	**(124,114)**
Amortization	(79,330)	(73,719)	(16,291)	(4,360)	**(173,700)**
Income (loss) before income taxes	$ 3,092,145	$ 103,025	$ 1,583,838	$ (3,097,921)	**$ 1,681,087**
Total assets	$ 3,717,255	$ 1,667,922	$ 2,079,134	$ 1,509,401	**$ 8,973,712**

As at and for the year ended December 31, 2007:

	Work Able	DMSU	Direct	Other	Total
Revenue	$ 8,268,990	$ 3,220,626	$ 2,740,002	$ 21,427	**$ 14,251,045**
Direct costs	(4,915,368)	(2,921,792)	(1,827,299)	-	**(9,664,459)**
General and administrative	(1,378,134)	—	—	(1,745,106)	**(3,123,240)**
Stock-based compensation	—	—	—	(104,036)	**(104,036)**
Amortization	(190,656)	(82,707)	(11,021)	—	**(284,384)**
Income (loss) before income taxes	$ 1,784,832	$ 216,127	$ 901,682	$ (1,827,715)	**$ 1,074,926**
Total assets	$ 3,069,893	$ 1,591,535	$ 1,236,729	$ 2,756,580	**$ 8,654,737**