CENTRIC HEALTH

CORPORATION

Your Care. Our Focus

Management's Discussion and Analysis

For the Year ended December 31, 2009

Management's Discussion and Analysis

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 2010 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. These forward-looking statements are made as of the date of this analysis, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

The following is a discussion of the consolidated financial position and the results of operations of Centric Health Corporation, formerly Alegro Health Corp. ("Centric" or "Company") for the quarter and year ended December 31, 2009 and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operation. The MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2009. The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The following MD&A is presented as of March 2, 2010. All amounts are in Canadian dollars.

On August 25, 2009, after receiving shareholder approval, the Company changed its name from Alegro Health Corp. to Centric Health Corporation to better reflect the strategic direction of the Company for the future. During the quarter, the Company also migrated from the TSX Venture Exchange to the TSX main board and as of September 1, 2009 began trading under the symbol "CHH".

Highlights for the Year Ended December 31, 2009

- Centric Health completed the acquisition of Active Health Management ("Active Health") increasing its footprint in the physiotherapy and rehabilitation marketplace.

- On August 25, 2009, the Company changed its name from Alegro Health Corp. ("Alegro") to Centric Health Corporation to better reflect its philosophy and culture of healthcare professional and patient centricity. In conjunction, the Company migrated from the TSX Venture to the TSX main board on September 1, 2009.

- Centric Health's revenue grew by 132% or $20.8 million to $36.6 million for the year. This result was driven largely by the acquisition of the Active Health business and inclusion of its revenue from June 2009.

- EBITDA[1] increased by 105% to $4.1 million for the year compared to $2.0 million in 2008, while earnings per share were up almost 54% to $0.041, compared to $0.026 in the prior year, before giving effect to a one-time restructuring charge of $0.6 million.

Business Overview

Centric Health Corporation is a Canadian healthcare investment company. Through the Company's subsidiaries, Don Mills Surgical Unit ("DMSU"), Work Able Centres ("Work Able"), Direct Health Solutions ("Direct Health") and Active Health Services ("Active Health"), Centric provides a variety of surgical procedures, disability management, third-party medical assessment, physiotherapy network management and physiotherapy services to long-term care. Centric is pursuing a diversified approach and an aggressive acquisition strategy to become Canada's premier healthcare company that provides innovative solutions centered on patients and healthcare professionals.

Subsidiary Overview

Centric Disability Management Group

The Centric Disability Management group comprises the divisions of Work Able Centres and Direct Health Solutions. The group is a preferred vendor to a number of Canadian insurance companies and the group's occupational rehabilitation programs are accredited by the Commission on Accreditation of Rehabilitation Facilities ("CARF").

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. These facilities are equipped with state of the art assessment, rehabilitation and work simulation tools and systems.

[1] See EBITDA section for definition and calculation of this amount.

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 specialty practice areas, psychologists, occupational health nurses, physiotherapists, occupational therapists, cognitive behavioural therapists, kinesiologists and vocational evaluators.

Active Health

On May 29, 2009, the Company acquired the assets and businesses of Active Health Management Inc. and Brenda Rusnak Clinics Inc. and operates these as part of the rehabilitation and disability management business segment in its subsidiary, Active Health Services Ltd. and herein referred to as “Active Health”.

Active Health specializes in high quality rehabilitation services that focus on physiotherapy, assessment services, physiotherapy network management and elder care. The elder care business provides physiotherapy services to over 200 retirement, assisted-living and long-term care homes operating in the province of Ontario through its network of independent consultants. The majority of these services are paid for by the Ontario Ministry of Health and Long Term Care (“MOH”).

Active Health also operates a health clinic in Toronto that provides rehabilitation treatment services including assessments, educational programs, on-going functional testing and treatments for pain management, movement and exercise.

The acquisition of Active Health included the operating business of Just Assessments. This division provides independent medical examinations across Canada to insurance companies and employers and was merged during the fourth quarter with the existing Centric Disability Management group.

DMSU

DMSU is an accredited, Toronto-based hospital operating since 1966 under Ontario’s Private Hospitals Act and licensed by the MOH. DMSU specializes in a mix of surgical services.

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, one 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.

(in thousands of dollars, except share amounts)

Selected Financial Information

The following selected financial information for the twelve months ended December 31, 2009, 2008 and 2007, and for the three months ended December 31, 2009 and 2008 has been derived from the consolidated financial statements and should be read in conjunction with those financial statements and related notes.

	Twelve months ended December 31,		
	2009	2008	2007
Total Revenue	$ 36,623	$ 15,795	$ 14,251
Expenses:			
Direct costs	26,188	8,918	9,664
General and administrative expenses	6,954	4,898	3,124
Stock-based compensation	140	124	104
Amortization	371	174	284
	33,653	14,114	13,176
Income before interest expense and income taxes	2,970	1,681	1,075
Interest expense	433	-	
Income (loss) before income taxes	2,537	1,681	1,075
Income before income taxes and restructuring charge	3,137	1,681	1,075
Net income	$ 1,640	$ 952	$ 755
Earnings per share - basic	$ 0.032	$ 0.026	$ 0.027
- diluted	$ 0.025	$ 0.026	$ 0.026
Total assets	$ 31,645	$ 8,973	$ 8,655
Total long-term financial liabilities	$ 7,068	$ -	$ -

	Three months ended December 31,	
	2009	2008
Total Revenue	$ 12,896	$ 4,595
Expenses:		
Direct costs	9,918	2,491
General and administrative expenses	2,693	1,349
Stock-based compensation	31	89
Amortization	138	43
	12,780	3,972
Income before interest expense and income taxes	116	623
Interest expense	183	-
Income (loss) before income taxes	(67)	623
Income before income taxes and restructuring charge	$ 533	$ 623

1. Included in revenue in the fourth quarter 2008 was a one-time adjustment of $422 relating to the reversal of accruals for GST relating to prior years.

(in thousands of dollars, except share amounts)

Reconciliation of Non-GAAP Measures

EBITDA

The Company defines EBITDA as earnings before interest expense, income taxes, and amortization and excludes equity-based compensation expense. EBITDA is not a recognized measure under GAAP. Management believes that EBITDA is a useful financial metric as it assists in determining the ability to generate cash from operations. Investor's should be cautioned that EBITDA should not be construed as an alternative to net income as determined in accordance with GAAP.

	Twelve months ended December 31,		Three months ended December 31,	
	2009	2008	2009	2008
Net income	$ 1,640	$ 952	$ (105)	$ 264
Amortization	371	174	138	43
Interest expense	433	-	183	-
Stock-based compensation	140	124	31	89
Income taxes	897	729	38	359
EBITDA	3,481	1,979	285	755
Restructuring charge	600	-	600	-
Adjusted EBITDA	$ 4,081	$ 1,979	$ 885	$ 755
Fully diluted weighted average number of shares	65,906	36,981	75,984	36,981
EBITDA per share	$ 0.05	$ 0.05	$ 0.00	$ 0.02
Adjusted EBITDA per share	$ 0.06	$ 0.05	$ 0.01	$ 0.02

Included in revenue in the fourth quarter of 2008 was a one-time adjustment of $422 relating to the reversal of accruals for GST relating to prior years.

Results of Operations

Revenues

Revenue for the year ended December 31, 2009 increased by $20,828 to $36,623 over the prior year, driven primarily by the acquisition of Active Health which generated revenue of $20,187 for the seven months of 2009 that it was owned by the Company. Revenue for the disability management division increased by $801 for the year, due to a higher number of assessments. Revenue for DMSU was lower by $160.

Revenue for the fourth quarter increased by $8,301 of which Active Health accounted for $8,836, while the disability management group was lower by $400 and DMSU was lower by $135. In the fourth quarter of 2008 the disability management group benefited from a one-time adjustment of $422 relating to the reversal of accruals for GST relating to prior years.

Expenses

Direct costs include third party consultant fees associated with the assessment and physiotherapy businesses and salaries and wages of employees working directly in each business segment.

Direct costs for the year ended December 31, 2009 were $26,188, which was an increase of $17,270 over the prior year. Active Health accounted for $16,009, bonus expense was $300 higher than the prior year and the remainder of the increase was primarily attributable to increases in the costs associated with the disability management group.

Direct costs as a percentage of revenue for the fourth quarter are higher than the full year percentage which reflects that the Active Health business has higher direct costs and was owned for seven out of twelve months of the year.

General and administrative expenses for the year ended December 31, 2009 were $6,954 which was $2,056 higher than the prior year. This increase was driven by a number of items. General and administrative costs associated with the Active Health business amounted to $722. The Company recorded a one-time restructuring charge of $600 relating to the re-organization of the Company's senior management and other restructuring costs as a result of the acquisition and integration of the Active Health business. Contractual fees relating to services performed by Global Healthcare Investments and Solutions, Inc. ("GHIS"), (as explained in Note 5 to the Company's 2009 consolidated financial statements), increased by $298.

General and administrative costs for the fourth quarter were $2,693 an increase of $1,344 which was largely driven by the restructuring charge described above and the additional overhead associated with the Active Health business.

Amortization was higher during three and the twelve month periods ended December 31, 2009 due to the amortization of the assets acquired in the Active Health acquisition.

Interest expense for the current quarter and the twelve month period, relates to the long-term loan that was arranged at the end of May, for the purchase of the Active Health and includes $24 of amortization of loan arrangement costs ($71 year to date).

Income Taxes

Income tax expense is calculated at the statutory rate of 33% and is applied on income before taxes adjusted for items that are not deductible for tax purposes, primarily stock-based compensation, which effectively increases the tax rate to 35%.

Future income tax liabilities recognized on the consolidated balance sheet reflect tax on temporary differences expected to reverse in 2010 and beyond.

Liquidity and Capital Resources

The main working capital requirement relates to the financing of accounts receivable which are primarily from the MOH, other government agencies, employers and insurance companies. Such receivables totaled $8,432 at December 31, 2009. These receivables are, to a large extent, financed by accounts payable to third party service providers who typically are paid when payment for the related services is received from the Company's customers. The Company also has a $4 million revolving operating credit facility. The Company consistently generates positive operating cash flows which are not subject to significant seasonal fluctuations and incurs minimal bad debt expense.

The Company believes that its cash on hand along with its revolving operating facility (which currently is undrawn) and the expected cash flow from operations over the next year will be sufficient to meet its short-term business requirements including the repayment of the current portion of its long-term loan amounting to $2.2 million. Longer term capital requirements will depend on many factors including the number and size of acquisitions completed, the rate of growth of the Company's client base and the cost of expanding in its new markets for existing and new healthcare services. In order to meet such capital requirements, the Company may require additional public or private financing in the capital markets for debt or equity financing. In addition, it may seek strategic partners to finance new business opportunities.

At December 31, 2009, the Company had total cash on hand of $1,196, a decrease of $2,806 from the prior year which reflects the cash used to help fund the purchase of the Active Health business.

(in thousands of dollars, except share amounts)

Operating Activities

For the year ended December 31, 2009, cash provided by operating activities was $3,031 compared to $433 for fiscal 2008. As discussed in the above sections, operating results were stronger due primarily to the last seven months of the year that the Company owned the Active Health business. Non-cash working capital decreased by $510 during the year. This change is primarily due to an increase accrued liabilities which includes the restructuring accrual discussed in the results of operations above. The Company is benefiting from a deferral in the requirement to make income tax installments on the Active Health business.

Investing Activities

For the year, spending on property and equipment amounted to $581 which was $504 higher than the prior year and includes $106 of spending on physiotherapy equipment for the Active Health business and $228 in upgrades of computer equipment.

On May 29, 2009, the Company purchased the assets and business of Active Health for a total of $21,969, with cash consideration of $19,665, issuance of common shares with a value of $1,000 and transaction costs of $1,304. The acquisition included property and equipment of $285, software of $1,500, government billing privilege of $4,105, goodwill of $14,166 and working capital of $1,913 As part of an overall financing package for Active Health, the Company agreed to repay the outstanding debenture owed to GHIS Capital Inc. ("GHIS Capital") of $750. This amount had been presented as non-controlling interest in the Company's financial statements as explained in Note 11 to the Company's consolidated annual financial statements.

Financing Activities

During the year, to complete the acquisition of Active Health, the Company obtained two sources of funding which included an $11,000 loan from a chartered Canadian bank and issued of units comprising shares and warrants through a private placement to an existing shareholder in the amount of $6,765. In addition, the vendor of Active Health received 3,333,333 of the Company's common shares valued at $1,000 as partial consideration of the purchase price. The long-term loan is repayable over a five-year term, with quarterly payments of $550. During the second half of the year, the Company made payments of $1,100 against this loan. Interest was fixed on this loan by way of an interest rate swap. Interest is payable monthly at an annual rate of 5.65%.

At December 31, 2009, the Company was in compliance with all of the covenants on its long-term and operating loan facilities.

Equity

Share Capital

During the year, option holders exercised 600,000 options to purchase a similar number of shares for a weighted average exercise price per share of $0.26, for total proceeds of $156.

During the year, the Company completed a private placement with Global Healthcare Investments and Solutions, Inc. ("GHIS") for 20,500,000 units comprising of 20,500,000 shares and a corresponding number of common share purchase warrants, exercisable for 5 years at $0.33 per unit, for cash consideration of $6,765. The warrants have a fair value determined to be $2,981 (less transaction costs of $24) using the Black-Scholes pricing model using the following assumptions:

Dividend yield	Nil
Expected volatility	115%
Risk-free interest rate	2.5%
Expected life in years	5
Fair value at issue date	$0.145

As part of the purchase price for the acquisition of the Active Health business, the seller received 3,333,333 shares having a value of $1,000.

(in thousands of dollars, except share amounts)

As at December 31, 2009, the Company had total shares outstanding of 61,015,095 compared to 36,581,762 at December 31, 2008. There were also 20,500,000 warrants outstanding as at December 31, 2009 entitling the holder to acquire 20,500,000 common shares at an exercise price of $0.33 per share.

As at the date of this report, the number of shares outstanding is 61,115,095; the number of options outstanding is 4,975,000; and, the number of warrants outstanding is 20,500,000.

As at December 31, 2009, there were a total of 5,075,000 options outstanding to purchase an equivalent number of common shares, with a weighted average exercise price of $0.58, expiring at various dates through 2014. The number of exercisable options at December 31, 2009 was 1,593,750 with a weighted average exercise price of $0.26.

Retained Earnings

In May of 2009, the convertible debenture issued to GHIS Capital was redeemed. Previously this debenture was accounted for as equity by one of the subsidiary companies. This being classified as non-controlling interest upon consolidation and interest incurred on this debenture was treated as a distribution of equity, which resulted in a reduction of the non-controlling interest upon consolidation. Upon redemption of the debenture, the excess of the amount paid over the carrying value of the non-controlling interest (resulting from the cumulative interest paid on the debenture) has been treated as a charge to contributed surplus.

Summary of Quarterly Results

The following is a summary of the quarterly results for the last twelve fiscal quarters:

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal year 2009				
Revenue and other income	$ 12,896	$ 12,431	$ 7,027	$ 4,269
Net income (loss)	$ (105)	$ 888	$ 518	$ 339
Income (loss) per share – basic	$ (0.002)	$ 0.015	$ 0.011	$ 0.009
– diluted	$ (0.001)	$ 0.013	$ 0.011	$ 0.009
Fiscal year 2008				
Revenue and other income	$ 4,595	$ 3,635	$ 3,836	$ 3,729
Net income	$ 264	$ 225	$ 259	$ 204
Income per share – basic and diluted	$ 0.007	$ 0.006	$ 0.007	$ 0.005
Fiscal year 2007				
Revenue and other income	$ 4,196	$ 3,219	$ 3,308	$ 3,528
Net income	$ 142	$ 99	$ 250	$ 265
Income per share – basic and diluted	$ 0.005	$ 0.003	$ 0.010	$ 0.010

(in thousands of dollars, except share amounts)

Business Outlook

During 2010 the Company will continue with its integration of the Active Health business and will seek out further synergies with the existing business as well as with new business partners. The Company expects that there will be continue consolidation with respect to the number of vendors that insurance companies use to provide medical assessments and that the Centric Disability Management group will benefit from this consolidation.

The Company is expecting a strong year of growth in 2010 as it executes on its business plan of diversifying income streams within the healthcare industry. The Company will continue to search out mergers and acquisitions that will be accretive to income and will accelerate the Company's growth platform.

Contractual Commitments

The Company has entered into a number of leases and other contractual obligations required under the normal course of business and are summarized in the following table:

As at December 31, 2009

Contractual obligations	Total	1 year	1-3 years	4-5 years	Thereafter
Long-term debt	9,900	2,200	4,400	3,300	-
Operating leases	4,445	1,407	2,274	764	-
Total	14,345	3,607	6,674	4,064	-

Off-Balance Sheet Arrangements

As at December 31, 2009, the Company has no off-balance sheet arrangements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with Canadian securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP.

During the second quarter of 2009 the Company appointed a new Chief Financial Officer ("CFO") and acquired the Active Health business. During the third quarter the Company hired a professional accountant to assist in reviewing and documenting disclosure controls and procedures and internal controls over financial reporting. In the fourth quarter of 2009 the Founder and Chief Executive Officer ("CEO") of the Company stepped down from this position. Dr. Jack Shevel, a member of the Board of Directors, having considerable business experience in the healthcare sector, assumed the position of Interim CEO.

Given the business experience of the incoming CFO and Interim CEO, along with the continuity of senior management and the assistance provided by the external professional accountant, the Company believes that the transition of the new executives was effective and had no adverse impact on disclosure controls or internal controls over financial reporting.

In accordance with Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, the Interim CEO and the CFO evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2009 and have concluded that such disclosure controls and procedures are effective and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time periods specified in securities legislation.

(in thousands of dollars, except share amounts)

As at the year ended December 31, 2009 and in accordance with Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, the Interim CEO and the CFO evaluated the design and operation of the Company's internal controls over financial reporting. Based on that evaluation, the Interim CEO and the CFO concluded that the design and operation of internal control over financial reporting were effective as at December 31, 2009 to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the consolidated financial statements in accordance with GAAP.

There have been no other material changes during the year to the Company's disclosure controls or internal controls over financial reporting.

Transactions with Related Parties

The Company's related party transactions in 2009 and 2008 are as follows:

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

	2009	2008
General and administrative expenses:		
Brenras	$ 360	$ 298
Disability Management	$ -	$ 30
GHIS	$ 478	$ 180
Interest paid to GHIS	$ 21	$ 53

Included in accounts payable and accrued liabilities at December 31, 2009 and 2008, are $254 and $15, respectively, due to GHIS.

Brenras Holdings Inc. ("Brenras") and The Disability Management Group Inc. ("Disability Management") are wholly-owned by a significant shareholder and former director of the Company. Brenras and Disability Management provided management services to the Company during the years ended December 31, 2009 and 2008.

GHIS and entities controlled by the shareholders of GHIS own approximately 53% of the issued and outstanding common shares of the Company as at December 31, 2009. GHIS provided strategic and business development consulting services to the Company for the years ended December 31, 2009 and 2008. During 2009, the consulting agreement with GHIS was amended to include a performance fee of 1% of the Company's market capitalization (computed on a trailing twelve month weighted average basis) provided the market capitalization exceeds a minimum threshold of $20,000. The performance fee payable at December 31, 2009 totaled $234 (2008 – Nil) and is included in accounts payable and accrued liabilities.

GHIS Capital is related to GHIS by virtue of common control. During 2009 and 2008, the Company paid interest of $21 and $53, respectively, to GHIS Capital on the outstanding convertible debenture (see Note 11). Concurrent with the closing of the acquisition of the acquired businesses referred to in Note 3, to the accompanying financial statements, the Company redeemed the convertible debenture at its face amount of $750 and also agreed to issue to GHIS Capital a warrant, expiring on May 29, 2012, entitling it to subscribe for and purchase 25% of the issued and outstanding common shares, as calculated immediately following the exercise, of Alegro Health Partners Inc. ("AHP") upon the payment of $33. Other aspects of the contractual arrangements between the Company, GHIS and GHIS Capital remained essentially unchanged including the agreement that AHP will be the entity that would pursue and conduct all new business opportunities in the healthcare sector distinct from the Company's current rehabilitation, medical assessment and related activities.

Critical Accounting Estimates

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

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

Goodwill and Intangible Assets Valuation

The Company performs an impairment assessment of goodwill and intangible assets on an annual basis and at any other time if events or circumstances make it possible that impairment may have occurred. Determining whether impairment has occurred requires a valuation of the respective business unit, based on its fair value, which is based on a number of factors, including discounted cash flows, future business plans, economic projections and market data. Management tests the valuation of goodwill and intangibles as at December 31 of each year to determine whether or not any impairment in the goodwill and intangible balances recorded exists. In addition, on a quarterly basis, management assesses the reasonableness of assumptions used for the valuation to determine if further impairment testing is required.

Management has determined, using the above-noted valuation method, that there was no impairment to goodwill or the intangible assets as at December 31, 2009 or 2008.

New Accounting Policies

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". The EIC abstract requires the Company to consider its own credit risk and the credit risk of the counterparty when determining the fair value of the financial assets and financial liabilities including derivative instruments. The application of the new EIC abstract during 2009 did not have any material impact on the Company's 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 standards were effective for the Company on January 1, 2009. The application of these standards did not have any material impact on the Company's consolidated financial statements.

Hedging

Section 3865, "Hedges" provides guidance in the adoption of hedging treatment of an instrument based on its effectiveness as a hedge and its alignment with the entity's strategy and corporate policy. The Company has assessed its financial instruments and adopted hedge accounting for a cash-flow hedge on the interest rate swap applied to its bank loan (see Note 10). Previously, the Company did not have any hedging instruments.

Financial Instruments

Section 3855, "Financial Instruments" requires that the entity adopt a policy to either expense costs directly attributable with the transaction or add these costs to the asset or liability. The Company has elected to recognize the directly attributable costs as a reduction of the liability. These costs will be accreted over the term of the liability.

Amendment to Financial Instruments – Disclosures ("Section 3862")

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and,
- Level 3 – Inputs that are not based on observable market data.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In March 2009, the Accounting Standards Board of Canada confirmed that effective January 1, 2011, IFRS will replace GAAP for publicly accountable enterprises such as Centric Health Corporation. At this time the impacts on the Company's consolidated financial statements are not reasonably determinable or estimable. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS.

The Company has established a project plan in order to present its consolidated financial statements under IFRS starting in 2011. Since the comparative figures will also have to be presented under IFRS, the changeover date to IFRS will in fact be January 1, 2010. The changeover plan commenced in 2009 and includes the following:

- Selection of a consulting firm to assist in the identification of key areas that may be impacted by the transition to IFRS;
- Designation of a person to be specifically trained on IFRS and to formally report to the chief financial officer;
- Identification of differences between GAAP and IFRS;
- Impact analysis, in particular, changes required to existing accounting policies, information systems and internal controls;
- Regular reporting to the Audit Committee; and,
- Monitoring the International Accounting Standard Board's activities on an ongoing basis, giving consideration to any proposed changes, where applicable, in its assessment of differences between IFRS and GAAP. However, since all potential changes to IFRS that will be effective as at December 31, 2011 are not yet known, any conclusions drawn at this point in time are preliminary in nature.

Centric's progress to date has resulted in the following:

Management has begun and will continue to document differences between IFRS and GAAP that will affect its business and financial reporting using component evaluations. The following areas have been identified as relevant to Centric's assessment of its adoption of IFRS: revenue recognition, impairment of assets, business combinations, financial instruments, provisions and contingent liabilities, income taxes, share-based payments, leases, hedge accounting, property and equipment, operating segments, earnings per share, and consolidated financial statement disclosures.

The Company has undergone an initial diagnostic review with its IFRS consultant to identify areas requiring detailed component evaluation by management. In addition, deliverables on this project include completion of component evaluations identifying differences between GAAP and IFRS, identification of systems requirements, detailed conversion plan including preparation of initial consolidated financial statements and integration of IFRS accounting policies and procedures. This process is ongoing and will continue throughout the first and second quarters of 2010.

IFRS 1

Management has reviewed its available exemptions under IFRS 1 – First time adoption of IFRS and has concluded that it will elect the following elective exemptions: business combinations and share-based payments.

The balance of the available exemptions under IFRS 1 are either not applicable to Centric or were found to have no benefit.

Property and Equipment

IFRS and GAAP contain the same basic principles for property and equipment; however, there are some differences. Specifically, IFRS requires property and equipment to be initially measured at cost, breaking down material items into components and amortizing each component separately. In addition, unlike GAAP, IFRS permits property and equipment to be subsequently measured at fair value or amortized cost. In this regard, Centric plans to continue to reflect its property and equipment at amortized cost.

Centric does not expect this area to have a significant impact on its consolidated financial statements.

Impairment of Long-Lived Assets

GAAP impairment testing for long-lived assets involves two steps, the first of which compares the asset carrying values with undiscounted future cash flows to determine whether impairment exists. If the carrying value exceeds the amount recoverable on an undiscounted basis, then the cash flows are discounted to calculate the amount of the impairment and the carrying values are written down to estimated fair value.

IAS 36, Impairment of Assets uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use which uses discounted future cash flows. This may result in more frequent write-downs where carrying values of assets were previously accepted under GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Centric is currently analyzing its operations in order to determine the cash-generating units to be used for the purpose of impairment testing for long-lived assets, goodwill and indefinite-lived intangible assets. Models are being developed, which will be used for the impairment testing as required at the date of transition of IFRS.

Business Combinations

Under IFRS 3, Business Combinations ("IFRS 3"), business combinations must be accounted for by applying the acquisition method. One of the parties to a business combination is identified as the acquirer, being the entity that obtains control of the other business. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Centric, as an acquirer, shall identify the date on which it obtains control of an acquiree. This date is usually the closing date of the acquisition, which would generally be the date on which Centric legally transfers the consideration or acquires the assets and assumes the liabilities of the acquiree. As of the date it obtains control, Centric would recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree in accordance with IFRS 3.

In accordance with IFRS 3, acquisition-related costs incurred to effect a business combination shall be expensed in the period costs are incurred. Under IFRS 3, these costs are not permitted to form a component of goodwill as is currently permitted under GAAP.

Provisions and Contingent Liabilities

IAS 37, Provisions, Contingent Liabilities and Contingent Assets requires a provision to be recognized when: (i) there is a present obligation as a result of a past transaction or event; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate can be made of the obligation. The threshold for recognition of a provision under GAAP is higher than under IFRS. It is possible, therefore, that some contingent liabilities which would not have been recognized under GAAP may meet the criteria for recognition as a provision under IFRS.

Income Taxes

IAS 12, Income Taxes ("IAS 12") prescribes that an entity account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Therefore, where transactions and other events are recognized in earnings, the recognition of deferred tax assets or liabilities which arise from those transactions should also be recorded in earnings. For transactions that are recognized outside of the statement of operations, either in other comprehensive income or directly in equity, any related tax effects should also be recognized outside of the statement of operations.

The impacts of IAS 12 in accounting for the tax consequences of transactions and other events under IFRS as compared to GAAP cannot fully be determined at this time.

Information Systems and Internal Controls

At this time, Centric does not expect that transition to IFRS will have significant impact on its information systems or its internal controls over financial reporting.

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", which replaces Sections 1581 and 1601, "Consolidated Financial Statements", and establishes new standards for accounting for business combinations. This standard is effective for 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. Early adoption is permitted and this section is largely aligned with IFRS 3, Business Combinations.

Risks and Uncertainties

The business of Centric Health is subject to a number of risks and uncertainties. Prior to making any investment decision regarding the Company, investors should carefully consider, among other things the risks described herein (including the section on caution regarding forward looking statements) and the risk factors set forth in the Company's 2009 Annual Information Form.

Government Regulation and Funding

Work Able and Direct Health's businesses operate 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 Company.

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

Uncertainty of Liquidity and Capital Requirements

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

Unpredictability and Volatility of Share Price

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

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

Capital Investment

The timing and amount of capital expenditures by the Company will be dependent upon the Company'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 Company for necessary or desirable capital expenditures or that the amount required will be the same as currently estimated. Lack of these funds could limit the future growth of the Company and its subsidiaries and their respective cash flow.

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 may dilute the interests of existing shareholders.

Significant Shareholders

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

Additional Information

Additional information about the Company can be found on the SEDAR website at www.sedar.com.

Subsequent Event

Subsequent to December 31, 2009, the Company loaned PrevCan Inc. ("Interxvent") $200. The letter of intent was revised in January 2010, such that Centric will acquire 50% of the fully diluted shares in Interxvent for cash consideration of $2,000. Additional consideration, up to a maximum value of $1,000, in common shares and warrants to purchase common shares of Centric, may be advanced if certain stated milestones are achieved. Pursuant to the letter of intent key Interxvent management and existing shareholders will invest a further $500 in Interxvent.

CENTRIC HEALTH
CORPORATION
Your Care, Our Focus

(Formerly Alegro Health Corp.)

Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Centric Health Corporation were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the consolidated financial statements.

Management has established a system of internal control over the financial reporting process, which is designed to provide reasonable assurance that relevant and reliable information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee which is comprised of a majority of independent non-executive directors assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Dr. Jack Shevel"
Chief Executive Officer

"Peter Walkey"
Chief Financial Officer

March 4, 2010

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Auditors' Report

To the Shareholders of
Centric Health Corporation

We have audited the consolidated balance sheets of Centric Health Corporation (formerly, Alegro Health Corp.) as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive income, shareholders' equity and 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, 2009 and 2008 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
March 3, 2010

Centric Health Corporation
(formerly Alegro Health Corp.)
Consolidated Balance Sheets
(in thousands of dollars)
as at December 31,

	2009	2008
Assets		
Current Assets		
Cash	**$ 1,196**	$ 4,002
Accounts receivable	**7,500**	2,101
Accrued receivables	**932**	873
Prepaid expenses	**161**	48
	9,789	7,024
Property and equipment *(note 7)*	**952**	330
Intangible assets *(notes 3 and 8)*	**6,627**	1,147
Goodwill *(notes 3 and 8)*	**14,213**	47
Future income tax assets *(note 9)*	-	55
Deferred acquisition costs	**64**	370
	$ 31,645	$ 8,973
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities *(note 5)*	**$ 6,088**	$ 1,820
Income taxes payable	**90**	67
Future income tax liabilities *(note 9)*	**19**	17
Current portion of long-term loan *(note 10)*	**2,200**	-
	8,397	1,904
Long-term loan *(note 10)*	**7,068**	-
Future income tax liabilities *(note 9)*	**265**	-
Deferred lease inducement *(note 2)*	**92**	-
Non-controlling interest *(note 11)*	**-**	613
	7,425	613
Shareholders' Equity		
Share capital *(note 12)*	**8,921**	3,928
Warrants *(note 12)*	**2,957**	-
Contributed surplus	**1,166**	1,268
Accumulated other comprehensive loss *(note 16)*	**(121)**	-
Retained earnings	**2,900**	1,260
	15,823	6,456
	$ 31,645	$ 8,973

Commitments *(note 14)*
Contingencies *(note 15)*

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

Approved by the Board

"Robert Wardell"
Robert Wardell, Director

"Martin Barkin"
Martin Barkin, Director

Centric Health Corporation
Consolidated Statements of Operations
(in thousands of dollars, except per share amounts)
for the years ended December 31,

		2009		2008
Revenue *(note 13)*	**$**	**36,623**	$	15,795
Expenses				
Direct costs		**26,188**		8,918
General and administrative *(notes 3 and 5)*		**6,954**		4,898
Stock-based compensation *(note 12)*		**140**		124
Amortization *(notes 7 and 8)*		**371**		174
		33,653		14,114
Income before interest expense and income taxes		**2,970**		1,681
Interest expense *(note 10)*		**433**		-
Income before income taxes		**2,537**		1,681
Provision for income taxes - current *(note 9)*		**574**		532
- future *(note 9)*		**323**		197
		897		729
Net income for the year	**$**	**1,640**	$	952
Basic earnings per common share	**$**	**0.032**	$	0.026
Diluted earnings per common share	**$**	**0.025**	$	0.026
Basic weighted average number of common shares outstanding ***(note 12)***		**50,937**		36,555
Diluted weighted average number of common shares outstanding ***(note 12)***		**65,906**		36,981

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

Centric Health Corporation
Consolidated Statements of Comprehensive Income
(in thousands of dollars)
for the years ended December 31,

		2009		2008
Net income for the year	**$**	**1,640**	$	952
Other comprehensive loss for the year *(note 16)*		**(121)**		-
Comprehensive income for the year	**$**	**1,519**	$	952

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

Centric Health Corporation
Consolidated Statements of Shareholders' Equity
(in thousands of dollars)

	Share Capital						
	Number of Shares	**Amount**	**Warrants**	**Contributed Surplus**	**Accumulated Other Comprehensive Loss**	**Retained Earnings**	**Total**
Balance at December 31, 2007	**36,524,762**	**$ 3,914**	**$ –**	**$ 1,144**	**$ –**	**$ 308**	**$ 5,366**
Shares issued as bonus compensation	57,000	14	–	–	–	–	14
Options granted and vesting	–	–	–	124	–	–	124
Net income for the year	–	–	–	–	–	952	952
Balance at December 31, 2008	**36,581,762**	**3,928**	–	**1,268**	**–**	**1,260**	**6,456**
Issued on acquisition of Active Health *(notes 3 and 12)*	3,333,333	1,000	–	–	–	–	1,000
Private placement *(note 12)*	20,500,000	3,753	–	–	–	–	3,753
Issuance of warrants *(note 12)*	–	–	2,957	–	–	–	2,957
Options granted and vesting *(note 12)*	–	–	–	12	–	–	12
Deferred compensation expensed in the period *(note 12)*	–	–	–	128	–	–	128
Decrease in non-controlling interest *(note 11)*	–	–	–	(158)	–	–	(158)
Options exercised *(note 12)*	600,000	240	–	(84)	–	–	156
Other comprehensive loss	–	–	–	–	(121)	–	(121)
Net income for the year	–	–	–	–	–	1,640	1,640
Balance at December 31, 2009	**61,015,095**	**$ 8,921**	**$ 2,957**	**$ 1,166**	**$ (121)**	**$ 2,900**	**$ 15,823**

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

Centric Health Corporation
Consolidated Statements of Cash Flows
(in thousands of dollars)
for the years ended December 31,

	2009	2008
Cash flow from operating activities		
Net income for the year	$ **1,640**	$ 952
Items not affecting cash		
Amortization of property and equipment	**246**	174
Amortization of intangible asset	**125**	-
Accretion and amortization of loan arrangement costs	**71**	-
Future income taxes	**323**	197
Stock-based compensation	**140**	124
Bonus shares issued	**-**	14
Amortization of lease inducement	**(23)**	-
Write-off deferred financing costs	**-**	83
Changes in non-cash working capital items *(note 6)*	**509**	(1,111)
Cash provided by operating activities	**3,031**	433
Cash flow from investing activities		
Purchase of property and equipment	**(581)**	(77)
Deferred acquisition costs	**(64)**	(370)
Acquisition of Active Health	**(20,599)**	-
Acquisition of non-controlling interest	**(750)**	-
Reduction in amounts due from related party	**-**	40
Cash used in investing activities	**(21,994)**	(407)
Cash flow from financing activities		
Proceeds of long-term loan, net of arrangement costs	**10,297**	-
Proceeds from issuance of common shares and warrants, net of issue costs	**6,866**	-
Lease inducement	**115**	-
Repayment of long-term loan	**(1,100)**	-
Decrease in non-controlling interest	**(21)**	(53)
Cash provided by (used in) financing activities	**16,157**	(53)
Decrease in cash	**(2,806)**	(27)
Cash, beginning of year	**4,002**	4,029
Cash, end of year	$ **1,196**	$ 4,002

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

(in thousands of dollars)

1. Business of the Company

Centric Health Corporation (the "Company"), formerly Alegro Health Corp., is incorporated under the *Canada Business Corporations Act*. The Company migrated from the TSX Venture Exchange to the main board of the Toronto Stock Exchange as of September 1, 2009, and is listed under the symbol CHH. The Company's principal business is providing healthcare services to its customers.

The results of operations presented in these consolidated financial statements include seven months of operations for the Active Health business acquired on May 29, 2009 (see Note 3).

2. Significant Accounting Policies

Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). 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. ("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"), Active Health Services Ltd. ("Active Health"), Centric Dental Partners Inc. as well as, in 2008, its 60% controlled subsidiary CanAm Research Corp. ("CanAm"). In 2008, prior to its sale on November 15, 2008, a non-controlling interest in respect of CanAm was not recorded as the losses applicable to the non-controlling interest in CanAm exceeded the non-controlling interest in the capital of CanAm.

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
Physiotherapy equipment	- 30% declining balance
Leasehold improvements	- straight-line over the term of the lease

2. Significant Accounting Policies - continued

Impairment of Long-lived Assets

The Company reviews long-lived assets, namely 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 realizable value, an impairment loss is recognized to the extent that the fair value is below the carrying value.

Goodwill and Intangible Assets

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 intangible assets are comprised of a private hospital licence, government billing privilege and acquired software (see Note 8). In accordance with the requirements of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets", the Company does not amortize goodwill or the indefinite-life intangible assets, being the private hospital license and the government billing privilege, but subjects them to an annual, or earlier, impairment test when circumstances indicate an impairment may exist.

The need for any write-down of the goodwill or intangible assets due to impairment in 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 an undiscounted cash flow basis which is then compared to its carrying value. Impairment losses will be recorded if the carrying amount of the goodwill and licence exceed their estimated fair values. Any write-down of the goodwill or indefinite-life intangible assets arising from impairment in value will be recorded in the period in which the impairment is identified as a charge to earnings.

During 2009, the Company acquired software in its acquisition of Active Health which is classified as a finite-lived intangible asset being amortized over seven years (see Note 8).

Lease Inducements

The Company recognizes rental expense on leased premises on a straight-line basis over the initial term of the lease. Lease inducements received by the Company as reimbursement of leasehold improvement costs incurred are deferred and amortized on a straight-line basis over the term of the lease as a reduction in rental expense.

Deferred Acquisition Costs

Legal and other costs directly attributable to acquisition transactions are reported as deferred acquisition costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. These costs will be included in the cost of acquisitions upon closing or expensed if the acquisitions are not concluded.

The deferred acquisition costs at December 31, 2008 represented legal and other costs directly related to the proposed acquisition of Active Health. As at December 31, 2009, these costs have been included in the purchase price of that acquisition.

2. Significant Accounting Policies - continued

Financial Instruments

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. 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 gains 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 and accrued receivables as loans and receivables; and accounts payable, accrued liabilities and long-term loan as other financial liabilities.

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 relating to the completed 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.

Revenue from member clinics referred through the Company is recognized when the service has been provided and is available to be billed.

Government funding 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.

2. Significant Accounting Policies - continued

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.

Stock options awarded to non-employees are measured using the fair value method. Under the fair value 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.

Earnings per Share

Earnings per share is 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 is calculated using the treasury stock method based on the weighted average number of common shares outstanding accounting for the dilutive effect of outstanding options and warrants.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian 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.

Management has used estimates in assessing the carrying value of intangible assets, estimating useful lives of its property and equipment, valuation of stock-based compensation, future income taxes as well as accruals of liabilities and receivables.

Reclassifications

Certain 2008 amounts have been reclassified to conform to the current year's presentation.

2. Significant Accounting Policies - continued

New Accounting Policies

The Company adopted the following standards on January 1, 2009.

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". The EIC abstract requires the Company to consider its own credit risk and the credit risk of the counterparty when determining the fair value of financial assets and financial liabilities including derivative instruments. The application of the new EIC abstract during 2009 did not have any material impact on the Company's 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", establish revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of these standards, 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 standards were effective for the Company on January 1, 2009. The application of these standards did not have a material impact on the Company's consolidated financial statements.

Hedging

Section 3865 "Hedges" provides guidance in the adoption of hedging treatment of an instrument based on its effectiveness as a hedge and its alignment with the entity's strategy and corporate policy. The Company has assessed its financial instruments and adopted hedge accounting for a cash-flow hedge on the interest rate swap applied to its bank loan (see Note 10). Previously, the Company did not have any hedging instruments.

Financial instruments

Section 3855, "Financial Instruments" requires that the entity adopt a policy to either expense costs directly attributable with the transaction or add these costs to the asset or liability. The Company has elected to recognize the directly attributable costs as a reduction of the liability. These costs will be accreted over the term of the liability.

2. Significant Accounting Policies - continued

Amendment to Financial Instruments – Disclosures (“Section 3862”)

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures (“Section 3862”), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

See note 17 for the relevant disclosures.

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 Company is continuing to assess the financial reporting and infrastructure impact of the adoption of IFRS. At this time the impact of the transition to IFRS on the Company's consolidated financial statements and results of operations is not readily estimable.

Business Combinations and Non-controlling Interests

In January 2009, the CICA issued Handbook Sections 1582, “Business Combinations”, 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.

In January 2009, the CICA issued Handbook Sections 1601, “Consolidated Financial Statements”, and Section 1602, “Non-controlling Interests”. 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 and 1602 at the same time. In the event of an acquisition after mandatory adoption of this standard, management expects some negative impact on results of operations from the adoption of this policy as it requires all costs related to an acquisition to be expensed as incurred.

(in thousands of dollars)

3. Acquisition

On May 29, 2009, The Company acquired substantially all of the non-cash operating assets (net of assumed liabilities) of The Brenda Rusnak Clinics Inc. and ACTIVE Health Management Inc., both, privately-held companies that specialize in the provision of physiotherapy and other rehabilitation services ("Active Health").

The transaction has been accounted for using the purchase method of accounting. This method requires that the assets and liabilities purchased be recorded at their fair value as at their date of acquisition. The results of Active Health have been included in the consolidated financial statements since May 29, 2009.

Purchase Price of Active Health		
Cash consideration	$	19,665
Issuance of 3,333,333 common shares of the Company		1,000
Transaction and integration costs		1,304
	$	21,969
Fair Value of Net Assets Acquired		
Current assets	$	5,329
Property and equipment		285
Software		1,500
Government billing privilege		4,105
Goodwill		14,166
		25,385
Current liabilities		(3,416)
	$	21,969

As a result of the acquisition of Active Health, the Company obtained one of the limited number of designated physiotherapy billing privilege numbers allowing the Company to bill the Ministry of Health for prescribed physiotherapy services provided to patients.

Included in general and administrative expenses is a restructuring charge of $600 relating to a reorganization of the Company's senior management and other restructuring costs as part of the integration of Active Health with the Company's previously existing operations.

Approximately $10,625 of the balance of goodwill will be deductible for tax purposes.

The common shares issued were valued at $0.30 per share representing the closing share price on May 4, 2009, the date the purchase and sale agreement was executed.

The transaction costs include amounts totalling $370 which were incurred prior to December 31, 2008 and which were presented on the balance sheet as deferred acquisition costs at December 31, 2008. As at May 29, 2009, these costs were included in the purchase price.

(in thousands of dollars)

4. 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 10). 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, 2009.

As at December 31, 2009, neither the Company nor its subsidiaries are subject to externally imposed capital requirements and have adequate capital on hand to meet their future obligations.

5. 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:

		2009		2008
General and administrative expenses:				
Brenras	**$**	**360**	$	298
Disability Management	**$**	**-**	$	30
GHIS	**$**	**478**	$	180
Interest paid to GHIS Capital	**$**	**21**	$	53

Included in accounts payable and accrued liabilities at December 31, 2009 and 2008, are $254 and $15, respectively, due to Global Healthcare Investments & Solutions, Inc. ("GHIS").

Brenras Holdings Inc. ("Brenras") and The Disability Management Group Inc. ("Disability Management") are wholly-owned by a significant shareholder and former director of the Company. Brenras and Disability Management provided management services to the Company during the years ended December 31, 2009 and 2008.

(in thousands of dollars)

5. Related Party Transactions and Balances - continued

GHIS and entities controlled by the shareholders of GHIS own approximately 53% of the issued and outstanding common shares of the Company as at December 31, 2009. GHIS provided strategic and business development consulting services to the Company for the years ended December 31, 2009 and 2008. During 2009, the consulting agreement with GHIS was amended to include a performance fee of 1% of the Company's market capitalization (computed on a trailing twelve month weighted average basis) provided the market capitalization exceeds a minimum threshold of $20,000. The performance fee payable at December 31, 2009 totalled $234 (2008 – Nil) and is included in accounts payable and accrued liabilities.

GHIS Capital Inc. ("GHIS Capital") is related to GHIS by common control. During 2009 and 2008, the Company paid interest of $21 and $53, respectively, to GHIS Capital on the outstanding convertible debenture (see Note 11). Concurrent with the closing of the acquisition of the acquired businesses referred to in Note 3, the Company redeemed the convertible debenture at its face amount of $750 and also agreed to issue to GHIS Capital a warrant, expiring on May 29, 2012, entitling it to subscribe for and purchase 25% of the issued and outstanding common shares, as calculated immediately following the exercise, of Alegro Health Partners Inc. ("AHP") upon the payment of $33. Other aspects of the contractual arrangements between the Company, GHIS and GHIS Capital remained essentially unchanged including the agreement that AHP will be the entity that would pursue and conduct all new business opportunities in the healthcare sector distinct from the Company's current rehabilitation, medical assessment and related activities.

6. Supplementary Disclosure of Cash Flow Information

The net changes in non-cash working capital are comprised of the following:

	2009	2008
Accounts receivable	**$ (700)**	$ (148)
Accrued receivables	**514**	(205)
Prepaid expenses	**(56)**	(22)
Accounts payable and accrued liabilities	**727**	(285)
Income taxes payable	**24**	(451)
	$ 509	$ (1,111)

Other supplementary cash flow information:

	2009	2008
Income taxes paid	**$ 551**	$ 984
Interest paid	**$ 373**	$ 53
Non-cash investing and financing activities:		
Issuance of common shares on acquisition of Active Health	**$ 1,000**	$ -

(in thousands of dollars)

7. Property and Equipment

	2009		
	Cost	**Accumulated Amortization**	**Net Book Value**
Office furniture, fixtures and equipment	**$ 653**	**$ 475**	**$ 178**
Work simulation and facility equipment	**1,268**	**1,268**	**-**
Computer equipment and software	**1,162**	**806**	**356**
Medical equipment	**401**	**391**	**10**
Physiotherapy equipment	**272**	**41**	**231**
Leasehold improvements	**186**	**9**	**177**
	$ 3,942	**$ 2,990**	**$ 952**

	2008		
	Cost	Accumulated Amortization	Net Book Value
Office furniture, fixtures and equipment	$ 546	$ 438	$ 108
Work simulation and facility equipment	1,268	1,268	-
Computer equipment and software	881	712	169
Medical equipment	398	345	53
	$ 3,093	$ 2,763	$ 330

Amortization of property and equipment for the years ended December 31, 2009 and 2008 was $246 and $174 respectively.

8. Intangible Assets and Goodwill

	2009	2008
Indefinite-life intangible assets:		
Hospital license	**$ 1,147**	$ 1,147
Government billing privilege	**4,105**	-
	5,252	1,147
Finite-life intangible asset:		
Software (net of amortization of $125)	**1,375**	-
Total intangible assets	**6,627**	1,147
Goodwill	**14,213**	47
Total intangible assets and goodwill	**$ 20,840**	$ 1,194

The Company acquired software, billing privileges and goodwill in its acquisition of Active Health. The Company valued the software based on its replacement value and performed an impairment test on the software at December 31, 2009 and determined there was no impairment. The software is being amortized over its estimated useful life of seven years.

(in thousands of dollars)

8. Intangible Assets and Goodwill - continued

The billing privilege was valued based on estimated future net cash flows from such billings. The billing privilege has an indefinite life.

The goodwill represents the excess of consideration paid over identifiable assets on the purchase of Active Health.

9. 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% (33.5% for 2008) to income before income taxes as follows:

		2009		2008
Income before income taxes	**$**	**2,537**	$	1,681
Expected income tax expense based on statutory tax rate	**$**	**837**	$	563
Increase resulting from:				
Non-deductible expense for stock-based compensation		**46**		42
Other non-deductible items		**7**		11
Effect of future tax rate reduction		**7**		35
Change in valuation allowance and other		**-**		78
Provision for income taxes	**$**	**897**	$	729
Current	**$**	**574**	$	532
Future	**$**	**323**	$	197

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

		2009		2008
Capital assets	**$**	**(200)**	$	(12)
Eligible capital expenditures		**(319)**		-
Non-capital losses carried forward		**24**		79
Financing costs		**(19)**		(7)
Accrued liabilities deductible when paid		**230**		-
Valuation allowance		**-**		(22)
Net future tax (liabilities) assets	**$**	**(284)**	$	38
Current future income tax liabilities	**$**	**(19)**	$	(17)
Non-current future income tax (liabilities) assets	**$**	**(265)**	$	55

(in thousands of dollars)

10. Long-Term Loan and Operating Facility

Long-term Loan

On May 29, 2009, the Company obtained a long-term loan of $11,000 from a major Canadian chartered bank in conjunction with the acquisition of the Active Health business. The loan is repayable over a five-year period, with quarterly principal payments of $550. Interest on the loan is payable monthly. All of the assets of the Company have been pledged as collateral for this loan. The annual rate of interest is 5.65% fixed by an interest rate swap over the term of the loan.

The long-term loan is presented net of loan arrangement costs. These costs are amortized over the term of the loan through accretion resulting in increasing interest expense recorded on the consolidated statements of operations over time. At December 31, 2009, the net long-term loan (including the current portion) was $9,268 (face value of $9,900 less $632 of unamortized loan arrangement costs).

Interest expense on the long-term loan comprises the following:

	2009	2008
Interest expense on long-term loan	**$ 362**	$ -
Accretion and amortization of financing costs	**71**	-
	$ 433	$ -

The Company is in compliance with the financial covenants of the long-term loan as at December 31, 2009.

The Company uses derivative financial instruments to manage current and future risks related to interest rate fluctuations associated with its loan.

As at December 31, 2009, the Company used an interest rate swap as part of its program for managing the combination of fixed and variable interest rates of its debt and the corresponding aggregate cost of borrowing. The interest rate swap expires concurrently with the maturity of the loan. The interest rate swap involves an exchange of interest payments without an exchange of principal underlying the interest payments, and is accounted for as an asset or liability depending on the position with respect to the variable portion of the swap and the corresponding gain or loss is recorded in other comprehensive income.

The Company formally documents and designates its derivative financial instrument as a cash-flow hedge on its bank loan. The Company evaluated the effectiveness of its hedging transaction at the time of the establishment of the instrument.

Operating Facility

The Company maintains a revolving operating credit facility to a maximum of $4,000 (December 31, 2008 - $1,000), including letters of guarantee to a maximum of $250. Interest on the borrowing options available is at prime plus 0.5% and 2% per annum, respectively, with interest paid monthly.

As at December 31, 2009 and 2008, the Company had not drawn on these credit facilities.

(in thousands of dollars)

11. Non-Controlling Interest

Non-controlling interest represented a $750 convertible debenture issued to GHIS Capital by AHP bearing interest at 7% per annum and due December 31, 2011. The debenture carried the right to 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 was accounted for as equity by AHP which resulted in a non-controlling interest upon consolidation. Interest incurred on the convertible debenture was treated as a distribution of equity by AHP which resulted in a reduction of the non-controlling interest upon consolidation of AHP.

Should GHIS Capital exercise the outstanding warrant to subscribe for shares in AHP before May 29, 2012 (see Note 5), the Company will have to account for a non-controlling interest in AHP.

On May 29, 2009, the Company entered into various agreements whereby the Company and GHIS Capital accepted repayment of the $750 convertible debentures issued to GHIS Capital, resulting in the elimination of the non-controlling interest and a charge to contributed surplus of $158 being the excess of the amount paid over the carrying value of the non-controlling interest.

12. Shareholders' Equity and Earnings per Share

Issuance of Common Shares and Warrants

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, 2007	36,524,762	$ 3,914
Shares issued as bonus compensation	57,000	14
Issued and outstanding, December 31, 2008	36,581,762	$ 3,928
Shares issued in private placement	20,500,000	3,753
Shares issued pursuant to the acquisition	3,333,333	1,000
Shares issued upon exercise of options	600,000	240
Issued and outstanding, December 31, 2009	**61,015,095**	**$ 8,921**

On May 29, 2009, the Company completed a private placement of 20,500,000 common shares and an equal number of warrants to GHIS for total consideration of $6,765. Each warrant entitles the holder to acquire one common share for a period of five years from this date, at a price of $0.33 per share. The fair value of the warrants was determined to be $2,981 (less transaction costs of $24) using the Black-Scholes pricing model with the following assumptions:

Dividend yield	Nil
Expected volatility	115%
Risk-free interest rate	2.5%
Expected life in years	5

12. Shareholders' Equity and Earnings per Share - continued

On May 29, 2009, the Company acquired substantially all of the non-cash operating assets (net of assumed liabilities) of the Brenda Rusnak Clinics Inc. and Active Health Management Inc. Part of the purchase price was paid by issuing 3,333,333 common shares of the Company valued at $0.30 per share representing the closing share price on May 4, 2009, the date the purchase and sale agreement was executed.

During 2009, 600,000 shares were issued upon exercise of options at a weighted average price of $0.26 per share.

In 2008, 57,000 common shares were issued to certain employees and consultants depending upon length of service. These ranged between 500 and 1,000 common shares per employee or consultant at issue prices between $0.15 and $0.25 per share.

Issuance of 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 the 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.

During 2009 and 2008, the Company granted the following options:

On May 7, 2009, the Company granted 100,000 stock options to an officer to purchase an equivalent number of common shares at an exercise price of $0.40 per share to be vested at the rate of 33% per annum over a three-year period.

On May 14, 2009, the Company granted 500,000 stock options to an officer to purchase an equivalent number of common shares at an exercise price of $0.39 per share to be vested at the rate of 33% per annum over a three-year period.

On June 25, 2009, the Company granted 225,000 stock options to directors of the Company to purchase an equivalent number of common shares at an exercise price of $0.31 per share to be vested at the rate of 25% per annum over a four-year period.

On December 8, 2009, the Company granted 1,900,000 stock options to management employees of the Company to purchase an equivalent number of common shares at an exercise price of $1.03 per share to be vested at the rate of 25% per annum over a four-year period.

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.

(in thousands of dollars)

12. Shareholders' Equity and Earnings per Share - continued

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 vested immediately.

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 were exercised in the year ended December 31, 2009.

The outstanding and exercisable stock options are as follows:

	Number of Options	Weighted-Average Exercise Price
Outstanding as at December 31, 2007	2,050,000	$ 0.29
Granted during 2008	1,400,000	$ 0.28
Cancelled during 2008	(400,000)	$ 0.34
Outstanding as at December 31, 2008	3,050,000	$ 0.28
Granted during 2009	2,725,000	$ 0.83
Exercised during 2009	(600,000)	$ 0.26
Cancelled during 2009	(100,000)	$ 0.34
Outstanding as at December 31, 2009	5,075,000	$ 0.58
Exercisable as at December 31, 2009	1,593,750	$ 0.26

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding as at December 31, 2009 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 - $0.30	1,850,000	$0.23	3.2	1,343,750	$0.21
$0.31 - $0.40	825,000	$0.37	4.4	-	N/A
$0.41 - $0.50	500,000	$0.50	2.5	250,000	$0.50
$1.00 - $1.10	1,900,000	$1.03	4.9	-	N/A
Total	5,075,000	$0.58	3.8	1,593,750	$0.26

Stock-based compensation not yet charged to income at December 31, 2009 amounted to $1,752 (2008 - $133).

(in thousands of dollars)

12. Shareholders' Equity and Earnings per Share - continued

The value assigned to options was calculated using the Black-Scholes option-pricing model with the following assumptions:

	2009	2008
Risk free interest rate	**0.46% - 2.46%**	1.79% - 3.41%
Expected stock volatility	**111% - 131%**	101% - 128%
Expected life	**1 – 5 years**	0.25 - 5 years
Dividend yield	**NIL**	NIL

The weighted average fair value of options granted during the year ended December 31, 2009 was $1,759 (2008 - $154). Stock-option compensation expense for the year ended December 31, 2009, was $140 (2008 - $124).

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 is calculated using the treasury stock method based on the weighted average number of common shares outstanding accounting for the dilutive effect of outstanding options and warrants as follows:

	2009	2008
Basic weighted average number of common shares outstanding	**50,936,830**	36,555,863
Dilutive effect of stock options	**1,785,670**	426,425
Dilutive effect of warrants	**13,183,728**	-
Diluted weighted average number of common shares outstanding	**65,906,228**	36,981,288

There are 5,075,000 potentially dilutive options and 20,500,000 potentially dilutive warrants outstanding as at December 31, 2009.

13. Revenue

Revenue in 2008 includes an amount of $422 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.

(in thousands of dollars)

14. Commitments

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

	Premises	Equipment	**Total**
2010	$ 1,353	$ 54	**$ 1,407**
2011	1,285	37	**1,322**
2012	930	22	**952**
2013	670	20	**690**
2014	73	1	**74**
	$ 4,311	$ 134	**$ 4,445**

15. Contingencies

From time to time the Company is involved in litigation, investigations or proceedings related to claims arising out of its operations in the ordinary course of business. In the opinion of the Company's management, these claims and lawsuits in the aggregate, even if adversely settled, would not have a material impact on the Company's financial position, results of operations or cash flows.

16. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss ("AOCI") is comprised of the fair value of the interest rate swap on the long-term loan (Note 10). The fair value is calculated as the difference in the net present value of the future cash flows to and from the counterparty. Unrealized gains and losses will accumulate in the AOCI until the maturity of the loan. Changes in the components of AOCI are as follows:

	2009	2008
AOCI at beginning of year	**$ –**	$ –
OCI for the year due to fair value of interest rate swap	**(121)**	–
AOCI at end of year	**$ (121)**	$ –

17. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accrued receivables, accounts payable and accrued liabilities, long term debt and a cash-flow hedge on its long-term debt.

Fair Value

Fair value hierarchy

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

- *Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities*

  This level of the hierarchy includes cash. The fair value of the instrument is quoted prices where they represent those at which regularly and recently occurring transactions take place.

- *Level 2: Inputs that are observable for the assets or liabilities either directly or indirectly*

  This level of the hierarchy includes derivative financial instruments with major Canadian chartered banks. These instruments are recorded at fair value on the settlement date. The fair value of derivatives used to manage interest rate exposure is calculated through discounting future expected cash flows using the BA based swap curve. Since the BA based swap curve is an observable input, these financial instruments are considered Level 2.

- *Level 3: Inputs for assets or liabilities that are not based on observable market data.*

  The Company does not have any financial instruments in this level.

Due to their short-term maturities, the fair value of financial instruments approximates their carrying value. The long-term loan is the subject of an interest rate swap which is discussed in interest rate risk, below. The interest rate swap is recorded at its fair value at December 31, 2009. The aggregate of the face value of the long-term loan plus the recorded amount of the interest rate swap approximates the fair value of the loan.

Financial Instruments at fair value:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash	1,196	-	-	1,196
Financial Liabilities:				
Interest rate swap	-	121	-	121

Credit Risk and Economic Dependence

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

17. Financial Instruments – continued

The Company derived approximately 35% (2008 – Nil) of its revenues for the year ended December 31, 2009 from billings through its government billing privilege and as such is subject to concentration risk associated with its reliance on such billings.

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

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, 2009, the Company had $1,196 (December 31, 2008 - $4,002) of cash and a current portion of its long-term loan of $2,200 (December 31, 2008 – nil) with a long-term portion of $7,700 (December 31, 2008 – nil). In accordance with the CICA Handbook Section 3855, the long-term loan is presented at $7,068, which is net of loan arrangement costs of $632, the latter being amortized over the term of the loan. The Company anticipates that it will generate sufficient cash flow from operations over the next year to meet the repayment of the current portion of its long-term loan and current liabilities.

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 $4,000 (December 31, 2008 - $1,000) which has a variable interest rate based on prime. As at December 31, 2009, the Company has not drawn on the facility.

The Company also has a five-year loan of $9,900 which carries a floating interest rate plus 3.25%, which has, through the swap (see Note 10), resulted in a fixed interest rate of 5.65%. The Company has entered into an interest rate swap on its loan to mitigate interest rate risk.

The fair value of the swap effective as at December 31, 2009, recorded as a derivative financial instrument amounts to $121 in favour of the counterparty. This amount is recorded as a liability in accounts payable and accrued liabilities and is accumulated in other comprehensive loss.

Currency Risk

Virtually all of the Company's transactions are denominated in Canadian dollars. At December 31, 2009, the Company held no financial instruments that were denominated in other than Canadian currency.

(in thousands of dollars)

18. Segmented Reporting

The operations of the Company and its consolidated subsidiaries are comprised of two reportable operating segments, Rehabilitation and Disability Management and DMSU. The Rehabilitation and Disability Management business provides specialized medical assessment and rehabilitation services to individuals disabled as a result of work-related or motor vehicle injuries, medical assessment and rehabilitation services to the insurance industry and employers primarily in Ontario and Eastern Canada, and rehabilitation services to long-term care and retirement facilities in Ontario. DMSU is an accredited, Toronto-based hospital specializing in a mix of ambulatory and surgical services. The general and administrative costs included in the "Corporate" column have not been allocated to the two segments and generally represent the costs associated with a publicly listed entity.

As at and for the year ended December 31, 2009

	Rehabilitation and Disability Management	DMSU	Corporate	Total
Revenue	$ 35,275	$ 1,348	$ -	$ 36,623
Amortization	$ 281	$ 7	$ 83	$ 371
Interest	$ -	$ -	$ 433	$ 433
Income (loss) before interest and income taxes	$ 7,133	$ -	$ (4,163)	$ 2,970
Capital expenditures	$ 561	$ 20	$ -	$ 581
Goodwill	$ 14,166	$ 47	$ -	$ 14,213
Total assets	$ 29,990	$ 1,447	$ 208	$ 31,645

As at and for the year ended December 31, 2008

	Rehabilitation and Disability Management	DMSU	Corporate	Total
Revenue	$ 14,253	$ 1,509	$ 33	$ 15,795
Amortization	$ 96	$ 74	$ 4	$ 174
Interest	$ -	$ -	$ -	$ -
Income (loss) before interest and income taxes	$ 4,676	$ 103	$ (3,098)	$ 1,681
Capital expenditures	$ 48	$ 3	$ 26	$ 77
Goodwill	$ -	$ 47	$ -	$ 47
Total assets	$ 5,795	$ 1,668	$ 1,510	$ 8,973

19. Subsequent Event

Subsequent to December 31, 2009, the Company loaned PrevCan Inc. ("Interxvent") $200. The letter of intent was revised in January 2010, such that Centric will acquire 50% of the fully diluted shares in Interxvent for cash consideration of $2,000. Additional consideration up to a maximum value of $1,000, in common shares and warrants to purchase common shares of Centric, may be advanced if certain stated milestones are achieved. Pursuant to the letter of intent, key Interxvent management and existing shareholders will invest a further $500 in Interxvent.